

# LEASING PRACTICES ON OHIO FARMS

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# LEASING PRACTICES ON OHIO FARMS

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## SUMMARY AND CONCLUSIONS

1. The main purpose of this publication is to describe the leasing practices used on Ohio farms and the adjustments people make in leases to fit conditions on particular farms.
2. More than a third of Ohio's farm land is operated under lease. This emphasizes the importance of adjusting leasing practices so as to give a fair division of income and expenses on particular farms in order to encourage more permanence of tenure. Rapid turnover of tenants can be disastrous to both land and people.
3. The two main types of leases are cash and share. Some agreements combine the two. There are several variations of the share lease. Most frequently used in Ohio is the 50-50 livestock-share lease and second, the 50-50 crop-share lease. These two are given the principal emphasis in this bulletin.
4. Information on specific leasing practices was assembled from over 400 replies to a mailed questionnaire to farmers in 19 Ohio counties. This was supplemented by a personal visit to approximately 150 farms.
5. Leasing practices tend to vary primarily with the productive capacity of the land and with the type of farming. Variations in practices come from the attempt to share costs and income equitably as determined by the bargaining process.
6. A substantial section of this publication is devoted to a detailed description of how owners and tenants of 50-50 share leased farms divide specific production expenses and the ownership of various items. This detailed description is given because most bargaining centers on specific items and small adjustments. So far as possible the circumstances are given which cause the use of certain practices.
7. Some landlords and tenants adjust the division of income in preference to radical changes in the pattern of sharing expenses. This practice was reported in a few cases where dairy or poultry enterprises involved high labor requirements.

8. Payment of a cash privilege rent was reported in only 20 percent of the crop-share leases covered by this study.
9. Testing the fairness of a lease on a particular farm is primarily a problem of making an acceptable accounting of the contributions to the business by the owner and operator respectively. So far as possible this should come from experience in operating a particular farm and from farm account records. Estimates may serve but should be subject to adjustment in the light of experience.

The examples given to illustrate the testing of share leases for fairness indicate that under favorable conditions (and 1951 costs) the division of expense items between landlord and tenant need not differ much from standard lease terms. These favorable conditions were: land well adapted to corn belt crops and consequently relatively high priced; an operating unit large enough to allow for efficient use of equipment and labor and in a relatively good state of productivity. The amount of adjustment needed (and frequently reported) in leasing practices is largely determined by the degree to which the type of land and type of farming depart from these favorable conditions. Individual farm units differ so much in the combination of real estate, other capital, and labor involved in the joint business that some testing of lease terms is desirable from time to time in all cases.

### **PURPOSE**

The two main purposes of this bulletin are: (1) to report on leasing practices found on a sample of Ohio farms; and (2) to explain a method, using these practices, by which landowners and farm operators may test their leases for a fair division of the expenses and income on particular farms. As a preliminary, let us consider the place of leases in Ohio's agriculture and describe the types of leases commonly used.

### **THE IMPORTANCE OF LEASING ARRANGEMENTS IN OHIO'S AGRICULTURE**

More than a third of Ohio's farm land is operated under lease: 37.5 percent in 1940, 35.0 percent in 1950. In the same ten years the proportion of farm operators classed as full tenants dropped from 26.3 to 17.9 percent and those renting part of their land (part owners) rose from 9.0 to 14.1 percent. The trends toward more part ownership and less tenancy are important; but the fact that the proportion of farm land under lease has not changed much in the same period is also important.

Looking at Table 1, about 60 percent or better of all Ohio farm operators have been classed as farm owners for the past 50 years. This means that the remaining 30 to 40 percent have consistently relied on some kind of contractual arrangement to obtain the use of land owned by others. A few of these arrangements, one percent or less, are farm manager salary or wage contracts, the remainder are leases. The terms of leases therefore are of direct concern both to a substantial share of the people on the land and to about an equal number who own the land.



Fig. 1. - Sample Counties, Leasing Survey, 1950-51

Information on leasing practices was obtained on a sample of farms located in the 19 counties in black. Analysis by three areas indicated practices differ with quality of land and type of farming. However, lease terms tend to be similar on similar farms regardless of area.

**TABLE 1.—Tenure Classes of Ohio Farm Operators and Proportion of Farm Land Operated Under Lease, Agricultural Census, 1880-1950**

Year	Farm Operators				Total	Farm land, percent leased
	Full owners	Part owners	Tenants	Hired managers		
	Percent	Percent	Percent	Percent	Percent	
1880	*	*	19.3	*	100	*
1890	*	*	22.9	*	100	*
1900	62.7	8.6	27.4	1.2	100	*
1910	59.9	10.7	28.4	1.0	100	*
1920	61.2	8.1	29.5	1.2	100	*
1930	62.2	10.7	26.3	0.8	100	*
1940	64.2	9.0	26.3	0.5	100	37.5
1950	67.7	14.0	17.9	0.4	100	35.5

\*Information not available.

From 1900 to 1940 the proportion of farm operators who were either part owners or full tenants did not fluctuate greatly. During the 1940's the move toward part or full ownership speeded up because agriculture was unusually profitable and the level of land values lagged behind the rise in the level of farm products prices. But land values have been catching up and the capital requirements to own land now are high. This raises the questions: can the present low percentage of farm tenancy be maintained? Should the beginning farmer prepare himself to lease for a longer period before taking the step to farm ownership?

At all events, landowners and operators have an interest in working out the terms of leases which will be fair to both, mutually profitable, and conducive to good farming.

### **TYPES OF LEASES USED ON OHIO FARMS**

The two basic types of agricultural leases are (1) cash and (2) share. Individual leasing contracts sometimes combine the two. Share leases may be further identified as crop-share, crop-share-cash and livestock-share. Some measure of the relative frequency in the use of different kinds of leases is indicated by the 1950 census of Ohio farms. Of the leases applying to entire farm units, 35 percent were classed as livestock-share; 27 percent, crop-share; 16 percent, cash; 7 percent, share-cash; and in 15 percent of the cases the type of lease could not be clearly classified. For instance, some operating farm units may be rented from two or more owners under different types of leases.



Some changes are taking place in the method of renting used on Ohio farms. From 1945 to 1950, cash leases declined from 23 to 15 percent and share-cash increased from two to seven percent of all leases, as reported by the census. Little change was indicated for other share leases.

Replies to the special inquiry on which this study is based, indicated 61 percent of leases on the farms surveyed to be livestock-share, 22 percent crop-share, 12 percent cash and five percent crop-share-cash. Because the share terms of the latter were not significantly different from the straight crop-share leases the two were classed together in this study.

The above figures, either census or sampling, indicate the relative importance of livestock-share leases in Ohio. General opinion favors their use because they tend to maintain the interest of both parties in the entire farm business. On the other hand all these types of leases are needed to fit the different situations found on farms and the circumstances of individual landowners and farm operators.

Cash lease terms.—A straight cash payment for the use of land is the least complicated method of leasing. The size of the annual rental, as bargained on and agreed to by the landowner and tenant, can be adjusted to the productive capacity of the property. Lands of low productive capacity are sometimes rented for cash because customary share rental terms are not acceptable or profitable to the operator. Also, cash rents of all grades of land tend to be low because the operator assumes all the risk of operation and supplies all of the operating capital. Cash rentals tend to lag behind general changes in the level of prices.

Ordinarily the cash tenant assumes the full right of use, occupancy and management subject only to restrictions named in the lease. The owner's responsibility usually includes materials and labor for major building and fence repairs, insurance on buildings, and real estate taxes. The weakness of cash leases centers on inadequate provision for building and land maintenance and improvement because the immediate interest of the landlord and tenant in these matters tend to conflict under this type of rental.

Share lease terms.—Most share leases are of the so-called 50-50 or half-share type. In such leases it is first agreed that the landlord and tenant will divide the physical product or the income equally. Then, through bargaining the two attempt to adjust the contributions so that each party will bear one-half of the expenses. Because of this bargaining process few of the leases studied adhered exactly to the rule of thumb terms of the standard share lease.

Other divisions of income are not so common; the most frequent being a two-thirds share to the landowner and one-third to the tenant. The one-third share lease fits the situation where the operator furnishes all the labor, and one-third share of the current production expenses for crops; or if the lease also shares the livestock, the tenant owns a one-third interest and receives a one-third share of the income. The one-third share lease has been used most frequently when a beginning operator is short on capital. Sometimes the landowner may temporarily advance all the necessary capital. Ordinarily the goal is to work up to a half-share arrangement.

Another division is the two-fifths, three-fifths crop-share arrangement,—the operator receiving a three-fifths share to offset his furnishing all seed and bearing all harvesting expenses. This same division was found to apply to all items of income in a few livestock-share leases to offset high labor requirements.

Crop-share-cash leases.—Ordinarily the expenses and income of grain crops are divided as in straight crop-share rentals. But the tenant pays cash for the exclusive use of hay land, pasture, and occasionally, buildings.

### **KINDS OF FARMS COVERED BY STUDY<sup>1</sup>**

Information descriptive of the leased farms covered by this study is summarized in Table 2. This information has been subclassified by three types of farming areas and three types of leases. Some general comments follow.

The average size of leased farm covered by this study (170 acres) is substantially larger than the average size of all Ohio farms (105 acres). The farms studied varied in size from 60 to 700 acres; covering fairly well the range of family sized commercial farms.

About one-third of the tenants rented or owned some land in addition to the tract in the main lease reported on. This additional land represented 23 percent of the total area operated. Neither size of farm or the number of tracts in the operating unit was of definite significance in respect to lease terms.

Some incidental information indicated that as a whole the farms reported on were as good or better than the State average in productive capacity and facilities: crop yields, 11 percent higher; 73 percent of the farm area in crop land (State average is 49 percent); 59 percent of the residences had a pressure water system (State average 59 percent); 71 percent had telephones (State average 60 percent); 96 percent had electricity (State average 93 percent). Some significant deviations from these general averages are indicated for different types of leases and areas (Table 2).

## VARIATIONS IN LEASING PRACTICES

In this study first emphasis is given to **how** leases vary. It adds to our understanding if we know **why** they vary. The fundamental reasons back of the **why** are sometimes hard to determine and conclusions must be drawn in part from general observations as contrasted to a more exact count of the **how**.

Some suggested reasons **why** leasing practices vary may be classified as follow:

1. Relative bargaining position of the landlord and tenant.
2. Productive capacity of the land and adequacy and condition of the improvements.
3. Type and combination of farm enterprises.
4. Landlord and tenant related.

A general discussion of **how** and **why** leasing practices vary is made at this point in order to give more perspective to the detailed description of leasing practices in the next section.

Both landowners and tenants shape their judgment around what they consider to be standard or typical lease terms. On the other hand, through the process of bargaining they adjust these terms to fit the circumstances of particular farms and their own personal situations. This bargaining may be prior to any agreement on the leasing contract; or, some of it may grow out of experience from year to year; or, as unforeseen circumstances arise the original agreement is supplemented or amended.

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<sup>1</sup>This study was based primarily on replies to a mailed questionnaire. The sample was selected from PMA listings in 19 counties distributed to cover different type of farming areas. A few replies came from landlords, most from tenants.

Some selectivity may have arisen from the chance that certain types of operators would more likely reply to a mailed questionnaire than other types. As a check on this point approximately 150 farms (of respondents and non-respondents) were visited. The conclusion was that the sample was weighted to some extent by the better and larger farms and by the better operators. On the other hand, the sample covered farms ranging from marginal to some of the best in Ohio. It follows that the sample covered the full range of leasing practices (the main objective of study), as affected by quality of land, but would not measure the probable frequency of practices as applied to all farms. Some characteristics of the farms are brought out in Table 2 and the attending discussion.

TABLE 2.—Data Descriptive of Leased Farms, Ohio, 1950-51 Survey

Item	Type of Lease and Area (Northeastern, Southeastern, and Western Ohio)													All Types of Leases by Areas			
	Livestock Share				Crop Share and Crop Share Cash				All Cash								
	N.E.	S.E.	W.	All areas	N.E.	S.E.	W.	All areas	N.E.	S.E.	W.	All areas	N.E.	S.E.	W.	All areas	
Number of cases in sample..	28	43	182	253	25	8	76	109	32	9	8	49	85	60	266	411	
Average size total unit operated—Acres .....	174	229	222	218	211	323	247	239	155	299	130	177	178	252	226	220	
Average size tract, main lease—Acres .....	154	189	191	187	147	144	156	153	102	225	101	124	133	188	178	170	
Proportion crop land, main lease—Percent .....	66	52	80	73	63	71	87	80	57	39	82	64	62	52	81	73	
Yield per acre, 1949, corn— Bushels .....	67	55	64	63	74	52	54	58	64	44	54	59	68	53	61	61	
Yield per acre, 1949, soy- beans—Bushels .....	—	20	27	26	25	—	25	25	18	20	25	20	19	20	26	24	
Yield per acre, 1949, oats— Bushels .....	51	40	45	45	42	34	37	38	39	32	39	38	43	38	43	42	
Yield per acre, 1949, wheat —Bushels .....	30	22	29	28	32	28	26	28	26	19	24	24	29	22	28	27	
Land limed, 1945-49— Percent .....	58	29	35	36	51	33	22	30	33	22	19	29	48	28	31	34	

Buildings adequate for crop storage—Percent . . . . .	70	86	80	80	84	57	46	56	71	67	38	65	75	79	69	72
Buildings adequate for livestock—Percent . . . . .	86	88	81	83	80	29	51	56	71	66	75	71	79	77	72	74
Condition of buildings, good—Percent . . . . .	32	49	48	46	44	25	20	26	16	11	38	19	31	40	40	38
Condition of buildings, fair—Percent . . . . .	64	44	47	48	56	50	67	63	44	56	38	45	55	46	52	52
Condition of buildings, poor—Percent . . . . .	4	7	5	6	—	25	13	11	40	33	24	36	14	14	8	11
Electricity in tenant house—Percent . . . . .	92	100	100	99	100	67	98	96	87	78	100	87	92	92	99	96
Water under pressure—Percent . . . . .	68	37	73	66	91	17	35	47	57	44	38	52	71	35	61	59
Bathroom in tenant house—Percent . . . . .	68	21	53	49	62	0	21	29	44	44	25	41	57	22	43	43
Furnace in tenant house—Percent . . . . .	80	23	50	49	71	17	26	36	48	56	38	48	65	27	43	45
Telephone in tenant house—Percent . . . . .	88	54	82	78	76	17	56	57	74	78	25	67	79	53	73	71

Observations in this study indicated that what was considered to be important changes had been made during the past five years in 13 percent of the livestock-share leases and in six percent of the crop-share leases. On the other hand, the need for some adjustment not yet agreed to was expressed by 45 percent of the cases involving livestock-share leases and 26 percent of the crop-share leases. Because most of these reports were received from tenants they represent the operator's viewpoint as contrasted to that of the landowner. Viewed by areas, adjustments were made most frequently in the southeast, next in the northeast and least frequently in western Ohio. In contrast the need for adjustment was most frequently expressed from western Ohio.

Under the usual 50-50 share-lease the assumption is that if the income is shared equally then the division of expenses should be adjusted so these are borne equally. On some farms numerous items of cost lend themselves to an equal division; for example: fertilizer, seeds, machine hire, purchased feed, ownership of livestock. This equal sharing of expenses, item by item, tends to unify the interest of the landowner and operator and is desirable so long as other parts of the lease can be kept in balance. The unbalance occurs in the unlike items which cannot be divided, and which in part must be given an estimated value or cost.

What are these unlike items of cost? The landlord furnishes the real estate. His taxes, insurance, and cash upkeep expenses are measured by actual expenditures; but the annual cost of depreciation and obsolescence of improvements is indefinite and must be estimated. Also, what is the agricultural value of the property and what rate of interest should be charged against this capital value as a cost? On the other hand, the tenant ordinarily furnishes all the labor and traditionally, the machinery and power. What value is to be placed on his and other unpaid family labor? What is the cost for machinery repair, and depreciation? How much annual interest is justified on the investment in machinery? What value to him are the privileges of a house to live in, a garden, milk, meat, eggs, etc? Some costs can be computed or estimated closely from experience; some are hard to estimate and may vary sharply from farm to farm.

For purposes of discussion variations in leasing practices can be classified as follows:

1. Adjustments in the chattel property contributed by landlord and tenant respectively.
2. Adjustments in the division of the annual production and upkeep expenses.

3. Adjustments in the privileges and conveniences provided the tenant.
4. Adjustments in the division of the income.

The adjustments found in any one lease may either tend to offset one another or they may tend to be cumulative. When they are cumulative, the net result may be a fairly radical departure from standard lease terms. All these adjustments can be viewed as a result of the bargaining process. If well considered and mutually satisfactory they represent an attempt on the part of the landlord and tenant to develop an operating agreement that is equitable and profitable to both parties.

The bargaining position of the tenant.—A tenant or prospective tenant who is well equipped, well financed, who has proven his ability as a farm manager and operator is in a strong bargaining position. Such an individual probably will be able to lease a good farm on favorable terms because he offers the likelihood of making money for the landowner as well as himself. A tenant lacking resources or with his personal capacity unproven may have his opportunities for choice restricted to less desirable farms or to less favorable terms. This in part explains why standard lease terms may be used on a relatively wide range of farms as classed by their productive capacity and general desirability. I.e., terms are geared in some degree to the capacity of the operator.

In an area such as Ohio, particularly in recent years, the bargaining position of the tenant is strengthened by alternative opportunities for non-farm employment. This in effect puts a floor under lease terms as well as farm wages.

The bargaining position of the landowner.—A productive farm with good buildings, including a desirable dwelling will attract a good operator. As productive capacity and other features decline in desirability some offsetting advantage must be offered to attract an operator. Differences in productive capacity of land are the most fundamental reasons for variations in leasing practices.

The importance of adjustments.—Four classes of adjustments have been mentioned. The first, adjustments in chattel property contributions, is rather important in recent years. The high capital requirements for machinery and equipment are being partially met on many farms by the landlord. Occasionally this is a temporary stop-gap to enable the tenant to become established. On the other hand it often is of a permanent nature. For instance in some types of farming, such as dairying, the labor requirements are relatively high and also much machinery

and equipment are needed. By furnishing some item or items of machinery the landlord may keep the contributions in balance. On a few farms the machinery is owned 50-50. In other cases the landlord may furnish more than half the foundation livestock.

A second type of adjustment, division of the production and upkeep expenses, is very frequent. Many items offer opportunity for adjustment: lime and fertilizer, seed, harvesting expenses, tractor fuel and oil, labor for upkeep of fences, buildings, and drainage systems, farm share of electricity.

A third type of adjustment, privileges (or advantages) provided the tenant, affect the leasing terms although some items are of indefinite money value. The farm dwelling—is it modern or is it without conveniences? The garden? Is there a high or low limit set on the number of cows and poultry or other livestock the tenant can maintain out of undivided farm grown feed?

A fourth type of adjustment, changing the division of income, is less frequent than the other three types. The prevailing tendency in share leases is to maintain an equal division of the income and to work out adjustments on the expense side of the agreement. There is one exception which is particularly worth noting: on some farms where milk production is the principal enterprise the operator's high labor requirements are offset by more than one-half the milk check, usually 55 or 60 percent.

Adjustments are more frequent in livestock-share leases.—Where the leasing agreement covers the sharing of receipts from livestock and livestock products as well as crops, the frequency and over-all importance of adjustments are much greater than is the case in crop-share leases. The best explanation is that farm mechanization in recent years has resulted in a greater saving in the labor requirements for crop production than for livestock production.

Relationship of landlord and tenant as a factor affecting leasing arrangements.—Nearly one-third (32.3%) of the tenants and landlords covered by this study were related to each other. Of those related, nearly a half (47.9%) were sons, a fourth (24.8%) were sons-in-law and just over a fourth (27.3%) were of some other relationship.

To what extent does the fact of relationship between landlord and tenant affect leasing practices? Unrelated landlords and tenants were found to make all the adjustments made by those who were related. For example: under livestock-share lease operation, 39 percent of the related landlords furnished some machinery; 46 percent of the unrelated furnished some. But when related 15 percent of the value of all machinery was furnished by the landlord and only 10 percent when



unrelated. In view of the size of sample these differences are insignificant; but the point is clear that under livestock-share lease operation a strong tendency exists for landlords to own some machinery.

In case of crop-share leases landlords related to the tenant furnished some machinery in 18 percent of the cases and in three percent when unrelated. In terms of value the amount furnished as a whole was insignificant: related, three percent; unrelated, one percent.

Personal contacts indicated that because tenure may be more certain for a related tenant he will assume more responsibility, particularly labor, for upkeep and improvement of the dwelling, other buildings, and fences. The feeling of certainty of tenure is not necessarily measured by length of tenure. Although related share-tenants had occupied their present farms a little longer than unrelated tenants the difference was not particularly significant. For livestock-share tenants the average length of occupancy was: related 7.5 years; unrelated, 5.3 years. For crop-share tenants the average length of occupancy was: related, 9 years; unrelated, 8.2 years. The average length of occupancy for cash tenants was: related, 7.0 years; unrelated, 9.9 years. The latter is probably a random difference because of a small sample.

When classified by age groups, related tenants averaged younger: 82 percent were under 45 years of age as compared with 70 percent of the unrelated. The inference is that as a group related tenants move out of the tenant-operator class somewhat younger than unrelated tenants. But the inference also is that related tenants got started younger: 24 percent of the related tenants were under 30 years of age as compared with 12 percent of the unrelated tenants.

Crop yields averaged slightly better (2%) where tenant and landlord were related. This better yield was associated with 22 percent more land limed since 1945. There is no proof that the greater security of tenure of related tenants was the direct cause for the use of more lime and better crop yields, but the evidence supports that view.

## **DIVISION OF EXPENSES**

This section discusses item by item the usual expenses borne by landowner and tenant on a leased farm. As has been mentioned some variations in leasing practices are merely a "give and take" process for convenience. Others represent a significant change in the division of expenses or income. So far as possible the reasons for variations in practices are discussed in the text which supplements the various tables.

## SOIL TREATMENT EXPENSES

Lime.—Since 1945 (to 1950 inclusive) some lime had been used on 87 percent of the farms covered by this study. The acreage reported limed was 34 percent of the area in farms. Some of the lime used had been obtained through the P. M. A. program. The division of these conservation payments between owner and operator influenced the division of liming expense as reported in this study. For instance, some indicated the landowner furnished all the lime with the understanding that he would receive all the P. M. A. payments. In other cases, and more frequently, the cost of lime was divided 50-50 but the P. M. A. payments were divided the same way.

Under most share leases the landowner bore at least half the expense of liming material and trucking. More exactly in 40 percent of the livestock leases the owner bore half the expense of material, trucking, and spreading, and 32 percent bore all this expense. In crop-share leases, 22 percent of the landowners bore all the expense, 26 percent half of it, and 12 percent furnished the material and trucking. The tenant furnished all the lime in only one percent of the livestock-share and nine percent of the crop-share leases. In eastern Ohio the tendency was for the landowner to bear a greater part of the liming cost than in western Ohio.

On 77 percent of the cash leased farms the tenant furnished the lime. An occasional landowner furnished the lime but adjusted the cash rent to cover the additional expense.

In a few cases (3%) leases provided for reimbursing the tenant if he left the farm before he had fully benefited from his outlay for lime. Prorating over a four year period was the most typical basis for reimbursement.

Fertilizer for pasture.—In the livestock-share leases 72 percent of the landowners furnished half the material and 21 percent, all. The principal exception: in southeastern Ohio 60 percent of the landowners furnished all the fertilizer for pasture improvement.

In crop-share leases 46 percent of the landowners furnished none of the fertilizer for pasture improvement; 38 percent, half; and 16 percent, all. Where the owner did go to this expense under a crop-share lease his reimbursement would necessarily arise from some off-setting consideration for he would receive no direct benefit. Use of fertilizer on pasture was reported on less than half the farms.

Both lime for crop and pasture land, and fertilizer for pasture, are expenses which are subject to more bargaining than fertilizer for crop land; partly because they so far are not fully established as annual

recurring expenses on most farms. Initial applications often have been at the owner's expense. It is significant however that in share leases these expenses are most frequently shared in the same proportion as the product is divided, the same as fertilizer for crops.

**TABLE 3.—Division of Soil Treatment Expenses—Contribution of Landlord, By Type of Lease and Area, 1950-51 Survey, Ohio**

Item and Share Paid	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)											
	Livestock Share				Crop Share				All Cash			
	N.E.	S.E.	W.	Total	N.E.	S.E.	W.	Total	N.E.	S.E.	W.	Total
By Landlord												
Lime:												
	Number of Cases Reporting Practice											
	24	40	158	222	21	6	72	99	24	6	5	35
	Percentage of Cases Reporting Specific Practice											
Material, Trucking, Spreading—All	33	48	28	32	12	17	27	22	17	17	0	14
Material, Trucking, Spreading—50 pct.	29	5	51	40	0	0	36	26	0	0	0	0
Material and Trucking—All, Spreading None	17	18	1	6	36	50	1	12	4	0	0	3
Material, All; Trucking and Spreading, 50 Percent	0	10	6	6	0	0	2	1	0	0	0	0
No Contribution By Landlord	0	0	1	1	4	0	11	9	75	83	80	77
Other Share Specified	21	19	13	15	48	33	23	28	4	0	20	6
Fertilizer For Pasture:												
	Number of Cases Reporting Practice											
	17	30	90	137	12	4	21	37	15	2	4	21
	Percentage of Cases Reporting Specific Practice											
All of Material by Landlord	6	60	12	21	8	50	14	16	7	0	0	5
Half of Material by Landlord	76	27	86	72	33	25	43	38	0	100	0	10
None of Material by Landlord	6	13	0	4	58	25	43	46	93	0	100	85
Other Arrangement	12	0	2	3	0	0	0	0	0	0	0	0
Fertilizer For Crop Land:												
	Number of Cases Reporting Practice											
	27	36	181	244	24	7	68	99	32	9	8	49
	Percentage of Cases Reporting Specific Practice											
All of Material	7	28	0	5	0	57	6	8	0	0	0	0
Half of Material	89	64	97	91	100	43	84	85	0	0	0	0
None of Material	0	8	0	1	—	—	4	3	100	100	100	100
Other Arrangement	4	—	3	3	—	—	6	4	0	0	0	0

Fertilizer for crop land.—Ninety-five percent of the cases reported use of fertilizer on crop land. In livestock-share leases 91 percent of the landlords furnished half the fertilizer; in crop-share leases 85 percent furnished half. Two relatively important reasons for deviation from this 50-50 rule were observed. Occasionally the landlord furnished all the fertilizer and tenant furnished the seed and harvested the landlord's share of the crops at no expense to the landlord. In some other cases, particularly in southeastern Ohio, the landlord furnished all the fertilizer in situations where the land was poorly adapted to crop production.

## SEEDS

Share of seed costs paid by landlord.—In about 95 percent of the 50-50 livestock-share leases the landlord furnished half the seed for corn and small grain crops. A few reported the landlord furnishing all seeds in lieu of paying part of the tractor fuel bill or to offset some other item paid by the tenant.

In crop-share leases also the most usual practice (about three-fourths the cases) was for the landlord to furnish half the seed; he furnished none in one-fifth the cases. Sometimes the tenant furnished the seed and harvested the crop to offset the fertilizer furnished by the landlord. An occasional crop-share agreement, particularly in western Ohio, provided for a three-fifths share of one or more of the small grain crops going to the tenant who bore all expense of seed and harvest and three-fifths of the fertilizer, if used. This 3/5-2/5 division of the crop was used most frequently for soybeans with no fertilizer applied.

In northeastern and western Ohio about 90 percent of the 50-50 livestock-share leases provided for an equal division of the expense for meadow crop seeds. In southeastern Ohio the landlord supplied all the alfalfa, clover and grass seed in more than half the cases and usually shared the expense in the remaining cases.

Under crop-share leases the expense of seed for meadow crops followed a little different pattern from that described for livestock-share leases. All records considered, in 50 to 60 percent of the cases the expense was divided equally, the landlord paid all in about 25 percent, and the tenant all in about 15 percent of the cases.

Occasionally the tenant got all the hay fed on the farm and furnished the seed. He sometimes got all the clover and grass seed harvested. Where the landlord got half the hay he usually paid at least half the seed cost.

**TABLE 4.—Share of Seed Costs Paid By Landlord, By Type  
of Lease and Area, 1951 Survey, Ohio**

Item and Share Paid by Landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Number of Cases Reporting Practice</b>								
<b>Corn:</b>	28	39	181	248	25	8	73	106
<b>Percentage of Cases Reporting Specific Practice</b>								
All	7	3	1	2	—	—	—	—
One-Half	89	82	99	95	96	38	77	79
None	—	12	—	2	4	62	23	21
Other	4	3	—	1	—	—	—	—
<b>Number of Cases Reporting Practice</b>								
<b>Soybeans:</b>	17	14	109	140	7	4	67	78
<b>Percentage of Cases Reporting Specific Practice</b>								
All	—	22	1	4	—	—	1	1
One-Half	94	64	99	94	86	75	81	81
None	0	14	—	1	14	25	18	18
Other	6	—	—	1	—	—	—	—
<b>Number of Cases Reporting Practice</b>								
<b>Wheat:</b>	29	36	179	244	25	8	71	104
<b>Percentage of Cases Reporting Specific Practice</b>								
All	4	3	—	1	—	—	—	—
One-half	93	83	99	96	96	62	79	82
None	—	11	1	2	4	38	21	18
Other	3	3	—	1	—	—	—	—
<b>Number of Cases Reporting Practice</b>								
<b>Oats:</b>	28	26	165	219	25	6	71	102
<b>Percentage of Cases Reporting Specific Practice</b>								
All	7	4	—	1	—	—	—	—
One-half	89	81	99	96	96	67	72	78
None	—	11	1	2	4	33	28	22
Other	4	4	—	1	—	—	—	—
<b>Number of Cases Reporting Practice</b>								
<b>Alfalfa Seed:</b>	24	35	163	222	20	4	57	81
<b>Percentage of Cases Reporting Specific Practice</b>								
All	—	51	9	15	5	50	26	22
One-half	96	46	90	83	50	25	67	60
None	—	—	1	1	40	25	5	15
Other	1	3	—	1	5	—	2	3

**TABLE 4.—Share of Seed Costs Paid By Landlord, By Type  
of Lease and Area, 1951 Survey, Ohio—Continued**

Item and Share Paid by Landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Number of Cases Reporting Practice</b>								
Clover seed	27	41	175	243	25	6	71	102
<b>Percentage of Cases Reporting Specific Practice</b>								
All	2	54	11	17	8	66	28	25
One-half	96	39	88	80	60	17	61	58
None	—	5	1	2	32	17	10	16
Other	2	2	—	1	—	—	1	1
<b>Number of Cases Reporting Practice</b>								
Grass seed:	28	31	161	220	22	6	63	91
<b>Percentage of Cases Reporting Specific Practice</b>								
All	4	58	10	16	23	83	27	30
One-half	92	36	89	82	41	17	58	50
None	—	2	1	1	36	—	14	19
Other	4	2	—	1	—	—	1	1

#### HARVESTING EXPENSES

Share of harvesting expenses paid by landlord.—In four out of five livestock-share leases the landlord paid one-half the machine expenses of harvesting small grains. Usually this was combining expense; occasionally, threshing. The same division of expense prevailed in only about two-thirds of crop-share leases. Occasionally the landlord paid one-third or one-fourth of the combining expense, a sum equivalent to his cost if the grain were threshed. Under the remaining share leases, with a few exceptions, the landlord paid none of the machine expense for harvesting small grains. To what extent were there compensating advantages to the tenant; and if so, what? Sometimes the landlord supplied a substantial share of the machinery. However, this was done less frequently under crop-share leases. Under the latter the tenant might have the use of pasture free of charge to compensate him for the harvest expenses; or, the use of hay land, buildings etc., or, in a few cases the landlord furnished some machinery.

Under the standard Ohio share lease the tenant bears all the expense of harvesting corn. In western Ohio this practice prevailed in 70 percent of the livestock-share leases and 77 percent of the crop-share

**TABLE 5.—Share of Harvesting Expense Paid By Landlord, By Type of Lease and Area, 1950-51 Survey, Ohio**

Item and share paid by landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Combining Soybeans:</b>								
Number of cases reporting practice								
	3	11	117	131	4	2	67	73
Percentage of cases reporting specific practice								
One-half	67	73	82	81	50	50	70	68
None	0	27	14	15	50	50	28	30
Other	33	0	4	4	0	0	2	2
<b>Combining Oats:</b>								
Number of cases reporting practice								
	23	23	153	199	23	4	71	98
Percentage of cases reporting specific practice								
One-half	83	74	81	80	74	50	66	67
None	13	26	13	15	22	50	31	30
Other	4	0	6	5	4	0	3	3
<b>Combining Wheat:</b>								
Number of cases reporting practice								
	24	32	175	231	23	5	70	98
Percentage of cases reporting specific practice								
One-half	83	81	82	82	74	60	69	70
None	13	19	13	14	22	40	29	28
Other	4	0	5	4	4	0	2	2
<b>Combining Clover Seed:</b>								
Number of cases reporting practice								
	16	20	128	164	15	2	65	82
Percentage of cases reporting specific practice								
One-half	94	70	72	74	60	50	71	68
None	6	25	25	23	40	50	28	31
Other	0	5	3	3	0	0	1	1
<b>Hay Baling:</b>								
Number of cases reporting practice								
	26	30	155	211	22	6	60	88
Percentage of cases reporting specific practice								
One-half	69	37	64	61	36	50	60	53
None	31	60	35	38	64	33	38	44
Other	0	3	1	1	0	17	2	3
<b>Straw Baling:</b>								
Number of cases reporting practice								
	24	29	162	215	20	1	52	73
Percentage of cases reporting specific practice								
One-half	71	66	74	72	35	0	46	42
None	29	34	25	27	65	100	52	56
Other	0	0	1	1	0	0	2	2

**TABLE 5.—Share of Harvesting Expense Paid By Landlord, By Type  
of Lease and Area, 1950-51 Survey, Ohio—Continued**

Item and share paid by landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Number of cases reporting practice</b>								
<b>Hay Chopping:</b>	5	6	43	54	1	0	8	9
<b>Percentage of cases reporting specific practice</b>								
One half	80	67	63	65	0	0	0	0
None	20	33	35	33	100	0	100	100
Other	0	0	2	2	0	0	0	0
<b>Number of cases reporting practice</b>								
<b>Silo Filling:</b>	20	12	59	91	10	1	6	17
<b>Percentage of cases reporting specific practice</b>								
One half	80	83	68	73	0	0	0	0
None	15	17	22	20	100	100	100	100
Other	5	0	10	7	0	0	0	0
<b>Number of cases reporting practice</b>								
<b>Corn Shelling:</b>	13	11	124	148	8	1	28	37
<b>Percentage of cases reporting specific practice</b>								
One half	62	82	70	70	100	0	61	68
None	31	18	30	29	0	100	36	30
Other	7	0	0	1	0	0	3	2
<b>Number of cases reporting practice</b>								
<b>Trucking Grain to Market:</b>	19	25	171	215	21	4	66	91
<b>Percentage of cases reporting specific practice</b>								
One-half	63	88	70	72	76	75	35	46
None	32	12	29	27	24	25	65	54
Other	5	0	1	1	0	0	0	0
<b>Number of cases reporting practice.</b>								
<b>Corn Picking:</b>	23	32	174	229	23	7	74	104
<b>Percentage of cases reporting specific practice</b>								
One-half	57	38	29	33	13	43	22	21
None	39	62	70	66	87	57	77	78
Other	4	0	1	1	0	0	1	1



leases studied. The exceptions were found most frequently in eastern Ohio, where under livestock-share leases the landlord paid half the machine expense for corn harvesting in roughly one-half the cases and under crop-share leases in about one-fourth the cases.

Silo filling is usually shared 50-50 under livestock-share leases, with the tenant furnishing the labor.

In respect to hay or straw baling on livestock-share farms, the landlord paid half the machine expenses in about two-thirds the cases. Often in crop-share leases the tenant bore all baling expense; but as has been noted, the tenant frequently may get all the hay fed and straw used on the farm and divided the baling expense 50-50 only when sold.

In hay chopping the division of expense followed the same general pattern as when the hay was baled.

In about two-thirds the cases the expense of corn shelling was borne 50-50; in most other cases the tenant bore all.

In about two-thirds of the livestock-share leases the expense of trucking grain to market was borne 50-50, in the remainder the tenant usually bore all.

In three-fourths of the eastern Ohio crop-share leases the landlord paid half the expense of trucking grain to market; in western Ohio only about one-third paid half.

### **SOME MISCELLANEOUS CURRENT EXPENSES**

Tractor fuel expense.—A substantial amount of bargaining centers around the sharing of this expense on farms operated under livestock-share leases. When horse power was used before tractors were adopted the tenant's horses ate undivided feed. On some farms, now tractor powered, the tenant pays the fuel bill and has the privilege of keeping enough cows to consume the equivalent of what horses would eat if horse power were used. Or, an equivalent adjustment may be made in some other manner.

On the other hand, this study indicates that more than one-third of the owners of livestock leased farms furnish half the tractor fuel or pay a lump-sum estimated to equal half this expense. More exactly, 60 percent of the landlords using livestock-share leases furnished no tractor fuel and 37 percent paid for half. Under crop-share leases 99 percent of the landlords furnished no tractor fuel.

Some landlords who pay part of the tractor fuel bill prefer to make this a lump-sum payment based on the estimated annual fuel cost of tractor operation on the leased farm. This avoids the complications of accounting for fuel used elsewhere or in reporting for gas tax refunds.

**TABLE 6.—Share of Various Farm Operating and Maintenance Expenses Paid By Landlord, By Type of Lease and Area, 1950-51 Survey, Ohio**

Item and share paid by landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Tractor Fuel Cost:</b>								
Number of cases reporting practice								
	25	35	180	240	25	7	73	105
Percentage of cases reporting specific practice								
One-half . . . . .	48	26	37	37	0	0	1	1
None . . . . .	48	74	59	60	100	100	99	99
Other . . . . .	4	—	4	3	0	0	0	0
<b>Tractor Oil and Grease:</b>								
Number of cases reporting practice								
	27	33	177	237	25	7	75	107
Percentage of cases reporting specific practice								
One-half . . . . .	44	21	21	24	0	0	0	0
None . . . . .	48	79	78	75	100	100	100	100
Other . . . . .	8	0	1	1	0	0	0	0
<b>Truck Fuel Cost:</b>								
Number of cases reporting practice								
	18	20	92	130	10	5	49	64
Percentage of cases reporting specific practice								
One-half . . . . .	44	35	33	35	0	0	2	2
None . . . . .	50	60	67	64	100	100	98	98
Other . . . . .	6	5	0	1	0	0	0	0
<b>Farm Share of Electricity:</b>								
Number of cases reporting practice								
	26	37	163	226	19	2	56	77
Percentage of cases reporting specific practice								
One-half . . . . .	46	30	26	28	0	50	2	3
None . . . . .	42	70	67	66	100	50	98	97
Other . . . . .	12	0	7	6	0	0	0	0
<b>Farm Share of Telephone:</b>								
Number of cases reporting practice								
	23	15	198	236	16	2	49	67
Percentage of cases reporting specific practice								
One-half . . . . .	39	33	9	14	0	50	0	1
None . . . . .	57	67	90	85	100	50	100	99
Other . . . . .	4	0	1	1	0	0	0	0
<b>Spraying Labor and Equipment Expense:</b>								
Number of cases reporting practice								
	13	14	62	89	13	5	20	38
Percentage of cases reporting specific practice								
One-half . . . . .	77	36	63	61	31	40	30	32
None . . . . .	23	64	37	39	69	60	70	68
Other . . . . .	0	0	0	0	0	0	0	0

**TABLE 6.—Share of Various Farm Operating and Maintenance  
Expenses Paid By Landlord, By Type of Lease and Area,  
1950-51 Survey, Ohio—Continued**

Item and share paid by landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Spray Material Expense:</b>								
	Number of cases reporting practice							
	17	13	81	111	10	4	24	38
	Percentage of cases reporting specific practice							
One-half . . . . .	100	77	83	85	20	25	54	42
None . . . . .	0	23	17	15	80	75	46	58
Other . . . . .	0	0	0	0	0	0	0	0
<b>General Farm Labor:</b>								
	Number of cases reporting practice							
	26	41	171	238	23	6	62	91
	Percentage of cases reporting specific practice							
One-half . . . . .	0	0	0	0	0	0	0	0
None . . . . .	62	80	96	89	100	100	99	99
Other . . . . .	38	20	4	11	0	0	1	1
<b>Labor, Building Repair and Maintenance:</b>								
	Number of cases reporting practice							
	26	39	166	231	19	5	59	83
	Percentage of cases reporting specific practice							
One-half . . . . .	27	5	5	7	16	0	10	11
None . . . . .	0	13	12	11	0	40	17	14
All . . . . .	69	82	82	81	84	60	73	75
Other . . . . .	4	0	1	1	0	0	0	0
<b>Labor, Fence Repair:</b>								
	Number of cases reporting practice							
	26	39	172	237	23	6	60	89
	Percentage of cases reporting specific practice							
One-half . . . . .	31	23	13	16	13	30	7	10
None . . . . .	58	59	54	55	65	50	58	60
All . . . . .	11	18	32	28	22	20	35	30
Other . . . . .	0	0	1	1	0	0	0	0
<b>Labor, Tile Repair:</b>								
	Number of cases reporting practice							
	23	12	149	184	16	1	62	79
	Percentage of cases reporting specific practice							
One-half . . . . .	26	17	8	11	6	0	13	11
None . . . . .	39	25	30	31	50	100	34	38
All . . . . .	35	50	61	57	44	0	53	51
Other . . . . .	0	8	1	1	0	0	0	0

**TABLE 6.—Share of Various Farm Operating and Maintenance  
Expenses Paid By Landlord, By Type of Lease and Area,  
1950-51 Survey, Ohio—Concluded**

Item and share paid by landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Number of cases reporting practice</b>								
<b>Labor, Tile Outlets:</b>	22	11	141	174	17	1	56	74
<b>Percentage of cases reporting specific practice</b>								
One-half . . . .	23	18	5	8	0	0	5	4
None . . . . .	45	0	30	30	59	100	36	42
All . . . . .	32	82	64	61	41	0	59	54
Other . . . . .	0	0	1	1	0	0	0	0
<b>Number of cases reporting practice</b>								
<b>Labor, Grass Waterways:</b>	15	13	58	86	12	1	24	37
<b>Percentage of cases reporting specific practice</b>								
One-half . . . .	33	15	8	14	8	0	25	19
None . . . . .	47	39	71	62	84	100	63	70
All . . . . .	20	46	21	24	8	0	12	11
Other . . . . .	0	0	0	0	0	0	0	0
<b>Number of cases reporting practice</b>								
<b>Labor, Terrace Dams:</b>	5	9	34	48	4	1	15	20
<b>Percentage of cases reporting specific practice</b>								
One-half . . . .	40	11	6	10	0	0	7	5
None . . . . .	0	11	44	33	100	100	60	70
All . . . . .	60	67	50	54	0	0	33	25
Other . . . . .	0	11	0	3	0	0	0	0
<b>Number of cases reporting practice</b>								
<b>Repair Materials:</b>	27	40	163	230	19	6	57	82
<b>Percentage of cases reporting specific practice</b>								
One-half . . . .	26	2	2	5	0	0	3	2
None . . . . .	4	3	5	4	0	17	7	6
All . . . . .	70	95	92	90	100	83	90	92
Other . . . . .	0	0	1	1	0	0	0	0
<b>Number of cases reporting practice</b>								
<b>Labor, New Fences:</b>	4	42	85	131	0	8	41	49
<b>Percentage of cases reporting specific practice</b>								
One-half . . . .	25	14	14	15	0	11	10	10
None . . . . .	75	40	21	29	0	38	32	33
All . . . . .	0	43	64	55	0	38	58	55
Other . . . . .	0	3	1	1	0	11	0	2

Sixty-eight livestock-share leased farms reporting the 50-50 division of the expense of small grain harvest, also reported a 50-50 division of the tractor fuel bill. At lease fairly frequently the landlord shares in both these operating expenses to offset the tenant's labor with livestock.

Under livestock-share leases the expense of tractor oil and grease was shared 50-50 in about 25 percent of the cases, a little less frequently than the fuel.

Truck fuel costs were shared 50-50 on 35 percent of the farms, leased livestock-share. On the remainder the landlord bore none of this expense; also under practically all the crop-share leases the landlord bore none of this expense.

The cost of electricity for farm use was borne 50-50 on 28 percent of the farms leased livestock-share. On the remainder the tenant usually bore all this expense. Observations indicated that the landlord usually shared this expense when it became an important item; otherwise he did not.

Under crop-share leases the tenant paid all the electric power bill in 97 percent of the cases.

The farm telephone expense was borne 50-50 on 13 percent of the livestock-share leases and in only one percent of the crop-share leases.

Spraying labor and equipment expense.—This often was custom service. It was shared 50-50 in 61 percent of the livestock-share leases. In a few cases the landlord had purchased the sprayer. In the remainder the tenant paid all. In crop-share leases the expense was shared 50-50 in 32 percent of the cases and the tenant paid all in the remainder. (Reported on only 38 farms).

Spray material expense was shared 50-50 in 85 percent of the livestock-share leases and 42 percent of the crop-share leases.

The questions on spraying expense did not fully reveal the reason for spraying. Some was of barns and equipment used for livestock; some for control of weeds such as Canada thistle; some for control of weeds in corn fields; some for control of spittle bug on clover. As a general rule, the division of the expense depended on whether the landlord and tenant both benefited.

General farm labor.—In most farm lease agreements the tenant supplies all labor excepting that involved in maintenance or improvement of real estate as will be discussed later. However in some circumstances the landowner does supply some share of the general farm labor for crops and livestock. These circumstances follow:

1. Where the tenant and landowner are related or when both live on the same farm, the landlord will "help out" without implying any contractual obligation.

2. Where some special high-labor requirement enterprise is involved the contributions may be balanced by the landowner agreeing to help by providing some labor. Examples: a poultry farm, a tobacco farm.
3. Where the land furnished by the owner has qualities which distinctly limit production and output, a leasing arrangement may be balanced by the landowner sharing in the expense of extra hired labor. Examples: some eastern Ohio dairy farms on rough land.

With one exception, all cases where the landlord contracted to furnish some labor for crops and livestock were operating under livestock-share leases; and the majority were in eastern Ohio.

Labor on building repair and maintenance.—On the majority of rented farms the landlord has the main responsibility for supplying labor for building repairs and maintenance. Beyond that statement it is difficult to draw any sharp lines in respect to the division of labor for building maintenance. Some tenants with no contractual responsibility for doing so keep buildings in good order and make minor repairs. In one case observed this had been going on for more than 30 years, in another case more than 20.

A slight tendency for tenants on crop-share rented farms to more frequently furnish the labor for building upkeep is explained by the fact that the crop-share tenant benefits more from the use of the buildings than the landlord.

On many rented farms building upkeep and repair are a heavy drain on the cash returns to the owner. Owner-operators do not notice this so much because the labor of upkeep is accomplished with less actual cash expense. If the tenant assumes the responsibility of supplying the labor for building repair and maintenance, the arrangement more nearly approaches the situation existing on an owner-operated farm.

Repair materials.—Traditionally the landowner stands the expense of all repair materials associated with real estate. Most deviations from the rule arise in cases where the landlord and tenant are related and a lease is the basic agreement in a family farming arrangement.

Labor, fence repairs.—The dominant practice is for the tenant to supply all labor for fence repair. But as reported, deviations from this rule occur in more than 40 percent of the cases. In some instances the landowner assumes full responsibility for fence repairs; in other instances for part of the labor.

Labor, new fences.—The most usual practice is for the landowner to stand the labor cost for new fences. In some cases the tenant furnishes his own labor and the landowner any extra labor. In other cases the tenant supplies all the labor. As a matter of convenience the tenant often builds the fence and is paid wages by the landlord.

Labor, grass waterways.—Usually, labor on these is the responsibility of the tenant.

Labor, terrace dams.—Relatively few cases were reported. A slight majority indicated this to be an expense of the landowner. On the other hand, the tenant supplied part or all the labor so frequently as to indicate that this may depend partly on the extent of the improvement. The small improvement would more likely be done by the tenant, the more extensive and expensive by the landowner.

#### **MISCELLANEOUS LIVESTOCK EXPENSES**

Ordinarily these expenses are divided in the same proportion as income from sales. Or, when ownership of the livestock does not follow the same pattern as division of the income, some expenses may be paid by the owner of the livestock. Examples: veterinary bills, D. H. I. fees, registration fees, and breeding fees.

Purchased feed.—This expense usually is divided the same as the income arising from the livestock. As is discussed elsewhere, an occasional landlord will pay half the feed bill and receive less than half the income as an adjustment to compensate for the high labor requirements of a dairy or poultry enterprise.

#### **SHARE OF FARM EQUIPMENT AND MACHINERY FURNISHED BY THE LANDLORD**

Under the standard 50-50 farm lease terms,—both livestock and crop-share,—the tenant furnishes the power and machinery. But as a matter of practice at least some items of equipment and machinery frequently are owned by the landlord. Partly, this happens because the owner may possess some item of equipment which is left on the farm, particularly equipment needed for livestock. Or it may be a temporary practice to help a tenant-operator to establish himself. Or, it may be done to help balance the contributions of the tenant; particularly on land of low productive capacity or when labor requirements are unusually high.

No hard and fast rule distinguishes the lease terms on farms where the landlord furnishes some machinery. But some distinguishing tendencies are: (1) it applies more frequently and in more substantial

**TABLE 7.—Share of Miscellaneous Livestock Expenses Paid By  
Landlord, Livestock-share Leases, 1950-51 Survey, Ohio**

Item and Share Paid by Landlord	AREAS			
	Northeastern Ohio	Southeastern Ohio	Western Ohio	All
<b>Number of Cases Reporting Practice</b>				
<b>Veterinary Bills:</b>	28	41	181	250
<b>Percentage of Cases Reporting Specific Practice</b>				
One-half	89	83	98	94
None	7	12	1	4
All	4	5	1	2
Other	0	0	0	0
<b>Number of Cases Reporting Practice</b>				
<b>Milk Hauling:</b>	25	35	136	196
<b>Percentage of Cases Reporting Specific Practice</b>				
One-half	84	86	78	80
None	8	11	21	18
All	4	3	0	1
Other	4	0	1	1
<b>Number of Cases Reporting Practice</b>				
<b>D.H.I. Fees:</b>	14	11	50	75
<b>Percentage of Cases Reporting Specific Practice</b>				
One-half	86	73	72	66
None	14	18	26	22
All	0	9	2	2
Other	0	0	0	0
<b>Number of Cases Reporting Practice</b>				
<b>Registration Fees:</b>	14	14	68	96
<b>Percentage of Cases Reporting Specific Practice</b>				
One-half	64	79	76	75
None	22	7	22	20
All	7	14	2	4
Other	7	0	0	1
<b>Number of Cases Reporting Practice</b>				
<b>Breeding Fees:</b>	22	32	123	177
<b>Percentage of Cases Reporting Specific Practice</b>				
One-half	91	72	89	86
None	5	22	10	11
All	0	6	1	2
Other	4	0	0	1



amount under livestock-share leases, particularly where the major enterprise is dairying; (2) it is relatively more important in eastern as contrasted with western Ohio, (3) it is slightly more important when the landlord and tenant are related, (4) on a few dairy and general livestock farms located on rolling land in eastern and southwestern Ohio both machinery and livestock were owned 50-50 as a permanent and apparently satisfactory arrangement. This plan had been in effect for 14 years in one case.

Whether by studied intent or not, the landlord's contribution of machinery and equipment is an important consideration in many farm leases. A listing of particular items furnished in whole or part by the landlord follow.

Portable hog houses.—Under livestock-share leases the landlord furnished all in 63 percent of the cases reported, and half in 23 percent. Often this equipment went with the farm. In contrast, under crop-share leases the landlord furnished all in 10 percent and part in three percent. Sometimes a 50-50 ownership of hog houses arose from an agreement whereby the landlord furnished the materials and the tenant built the houses.

Brooder houses.—Under livestock-share leases the landlord furnished all in 56 percent of the cases and half in nine percent. Under crop-share leases he furnished all in 4 percent of the cases and part in two percent.

Hog waterers.—Under livestock-share leases the landlord furnished all in 26 percent of the cases and half in 46 percent. None was furnished under crop-share leases.

Tank heaters.—Under livestock-share leases all were furnished by the landlord in 24 percent of the cases and half in 34 percent. Under crop-share leases these were seldom furnished by the landlord.

Feeder bunks.—Under livestock-share leases all were furnished in 54 percent of the cases, half in 23 percent. Under crop-share leases, all were furnished in four percent and some in 23 percent of the cases.

All these items mentioned may be on and remain on the farm when occupied by a new operator. The frequency of their being reported did not generally influence the leasing terms in any manner. The items which follow would more often be taken into account when establishing leasing terms.

Combine.—On 155 livestock-share leased farms where a combine was owned, the landlord owned all in 14 percent of the cases and half in 17 percent. Under crop-share leases the landlord owned all in five percent of the cases and half in three percent.

**TABLE 8.—Share of Farm Equipment and Machinery Furnished By the Landlord, By Type of Lease and Area, 1950-51, Survey, Ohio**

Item and share paid by landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Portable Hog Houses:</b>								
	Number of cases reporting practice							
	11	15	129	155	13	1	24	38
	Percentage of cases reporting specific practice							
One-half . . . . .	9	20	25	23	8	0	0	3
All . . . . .	73	67	61	63	8	100	8	10
None . . . . .	18	13	9	10	84	0	92	87
Other . . . . .	0	0	5	4	0	0	0	0
<b>Brooder Houses:</b>								
	Number of cases reporting practice							
	22	28	137	187	18	2	38	58
	Percentage of cases reporting specific practice							
One-half . . . . .	4	14	9	9	0	0	3	2
All . . . . .	64	72	51	56	44	0	16	24
None . . . . .	32	14	39	34	56	100	81	74
Other . . . . .	0	0	1	1	0	0	0	0
<b>Hog Waterers:</b>								
	Number of cases reporting practice							
	12	6	141	159	5	1	23	29
	Percentage of cases reporting specific practice							
One-half . . . . .	17	50	43	46	0	0	0	0
All . . . . .	33	33	24	26	0	0	0	0
None . . . . .	50	17	31	32	100	100	100	100
Other . . . . .	0	0	1	1	0	0	0	0
<b>Tank Heaters:</b>								
	Number of cases reporting practice							
	5	4	67	76	4	1	27	32
	Percentage of cases reporting specific practice							
One-half . . . . .	40	25	34	34	0	100	0	3
All . . . . .	0	50	24	24	0	0	0	0
None . . . . .	60	25	39	42	100	0	100	97
Other . . . . .	0	0	0	0	0	0	0	0
<b>Feeder Bunks:</b>								
	Number of cases reporting practice							
	7	4	86	97	4	2	16	22
	Percentage of cases reporting specific practice							
One-half . . . . .	42	25	21	23	100	50	0	23
All . . . . .	29	50	57	54	0	0	6	4
None . . . . .	29	25	16	18	0	50	94	73
Other . . . . .	0	0	6	5	0	0	0	0

**TABLE 8.—Share of Farm Equipment and Machinery Furnished  
By the Landlord, By Type of Lease and Area,  
1950-51 Survey, Ohio—Continued**

Item and share paid by landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Combine:</b>								
Number of cases reporting practice								
	18	10	127	155	16	4	41	61
Percentage of cases reporting specific practice								
One-half . . . .	39	10	15	17	6	0	2	3
All . . . . .	17	10	13	14	0	25	5	5
None . . . . .	44	80	72	69	94	75	93	92
Other . . . . .	0	0	0	0	0	0	0	0
<b>Corn Picker:</b>								
Number of cases reporting practice								
	12	10	135	157	14	3	55	72
Percentage of cases reporting specific practice								
One-half . . . .	42	10	6	9	7	0	2	3
All . . . . .	0	10	7	6	0	33	0	1
None . . . . .	58	80	97	85	93	67	98	96
Other . . . . .	0	0	0	0	0	0	0	0
<b>Grass Seeder:</b>								
Number of cases reporting practice								
	23	25	136	184	18	5	53	76
Percentage of cases reporting specific practice								
One-half . . . .	26	12	5	9	0	0	2	1
All . . . . .	17	36	6	11	6	40	4	7
None . . . . .	57	52	89	80	94	60	94	92
Other . . . . .	0	0	0	0	0	0	0	0
<b>Manure Spreader:</b>								
Number of cases reporting practice								
	28	37	172	237	23	4	64	91
Percentage of cases reporting specific practice								
One-half . . . .	25	14	8	11	0	0	0	0
All . . . . .	14	43	7	14	50	25	3	15
None . . . . .	61	43	85	75	50	75	97	85
Other . . . . .	0	0	0	0	0	0	0	0
<b>Manure Loader:</b>								
Number of cases reporting practice								
	7	5	76	88	6	1	19	26
Percentage of cases reporting specific practice								
One-half . . . .	14	0	5	6	0	0	0	0
All . . . . .	0	20	7	6	0	0	0	0
None . . . . .	86	80	88	88	100	100	100	100
Other . . . . .	0	0	0	0	0	0	0	0

**TABLE 8.—Share of Farm Equipment and Machinery Furnished  
By the Landlord, By Type of Lease and Area,  
1950-51 Survey, Ohio—Continued**

Item and share paid by landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Number of cases reporting practice</b>								
<b>Silo Filler:</b>	8	2	26	36	6	1	5	12
<b>Percentage of cases reporting specific practice</b>								
One-half . . . .	25	0	19	19	0	0	0	0
All . . . . .	13	100	23	25	0	0	40	17
None . . . . .	62	0	58	56	83	100	60	75
Other . . . . .	0	0	0	0	17	0	0	8
<b>Number of cases reporting practice</b>								
<b>Milk Cooler:</b>	17	12	66	95	15	2	8	25
<b>Percentage of cases reporting specific practice</b>								
One-half . . . .	59	50	27	36	0	0	0	0
All . . . . .	29	33	58	49	0	0	13	4
None . . . . .	12	17	15	15	100	100	87	96
Other . . . . .	0	0	0	0	0	0	0	0
<b>Number of cases reporting practice</b>								
<b>Power Sprayer:</b>	7	7	33	47	9	4	7	20
<b>Percentage of cases reporting specific practice</b>								
One-half . . . .	57	0	9	15	0	0	0	0
All . . . . .	0	14	18	15	0	25	0	5
None . . . . .	43	86	73	70	100	75	100	95
Other . . . . .	0	0	0	0	0	0	0	0
<b>Number of cases reporting practice</b>								
<b>Hay Drier:</b>	2	3	6	11	0	0	2	2
<b>Percentage of cases reporting specific practice</b>								
One-half . . . .	0	33	17	18	0	0	0	0
All . . . . .	50	67	83	73	0	0	0	0
None . . . . .	50	0	0	9	0	0	100	100
Other . . . . .	0	0	0	0	0	0	0	0
<b>Number of cases reporting practice</b>								
<b>Feed Grinder:</b>	13	17	96	126	13	2	12	27
<b>Percentage of cases reporting specific practice</b>								
One-half . . . .	15	18	18	17	0	0	0	0
All . . . . .	23	29	22	23	0	100	17	15
None . . . . .	62	53	60	60	100	0	83	85
Other . . . . .	0	0	0	0	0	0	0	0

**TABLE 8.—Share of Farm Equipment and Machinery Furnished  
By the Landlord, By Type of Lease and Area,  
1950-51 Survey, Ohio—Concluded**

Item and share paid by landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Grain Elevator:</b>								
	Number of cases reporting practice							
	10	9	103	122	13	2	35	50
	Percentage of cases reporting specific practice							
One-half . . . .	50	11	6	10	0	50	0	2
All . . . . .	0	0	16	13	0	0	6	4
None . . . . .	50	89	75	75	100	50	94	94
Other . . . . .	0	0	3	2	0	0	0	0
<b>Milking Machine:</b>								
	Number of cases reporting practice							
	26	22	110	158	15	2	29	46
	Percentage of cases reporting specific practice							
One-half . . . .	50	32	24	29	0	0	0	0
All . . . . .	23	23	17	19	7	0	3	2
None . . . . .	27	45	59	52	93	100	97	98
Other . . . . .	0	0	0	0	0	0	0	0
<b>Other Machinery:</b>								
	Number of cases reporting practice							
	23	33	145	201	20	4	59	83
	Percentage of cases reporting specific practice							
One-half . . . .	35	18	3	9	9	0	25	20
All . . . . .	0	15	3	4	5	0	0	1
None . . . . .	56	67	93	85	85	100	75	79
Other . . . . .	9	0	1	2	0	0	0	0

Corn picker.—Under livestock-share leases the landlord owned all in six percent of the cases and half in nine percent. Under crop-share leases he owned all or half in only four percent of the cases.

Grass seeder.—Under livestock-share leases the landlord owned all in 11 percent of the cases and half in nine percent. Under crop-share leases he owned all in seven percent of the cases and half in one percent.

Manure spreader.—In livestock-share leases the landlord owned all in 14 percent of the cases and half in 11 percent. Under crop-share leases he owned all in fifteen percent of the cases and shared ownership in none.

Manure loader.—This being a recently developed type of equipment, it should demonstrate more accurately the tendency for owners to share the cost of new machinery. On 88 livestock-share farms the landlord owned the manure loader in six percent of the cases and half of it in six percent. On 26 crop-share leased farms reporting the item the tenant owned all.

Silo filler.—On only 36 livestock-share farms was ownership reported. The landlord owned all in 5 percent of the cases and one-half in 19 percent. On 12 crop-share leased farms the landlord owned all in two cases; on the remainder the tenant owned all.

Milk cooler.—On livestock-share farms the landlord owned all in 49 percent of the cases and half in 36 percent. On one crop-share farm out of 25 reported, the landlord furnished the milk cooler.

Power sprayer.—Use of this type of equipment for weed and insect control on field crops is relatively new. Its ownership was reported on 47 livestock-share farms. The landlord owned all in 15 percent of the cases and half in 15 percent. In one case in 20 crop-share leases the landlord owned the power sprayer, the tenant owned it in all other cases.

Hay drier.—This is another new type of equipment. It was reported on 11 livestock-share farms. On eight (73%) the landlord owned all, on two (18%) ownership was 50-50, and on one the tenant owned all. It was reported on only two crop-share farms with the tenant owning all.

Feed grinder.—On livestock-share farms the landlord owned all in 23 percent and half in 17 percent of the cases. On crop-share farms the landlord furnished the feed grinder in a few cases.

Silo emptier.—Only one was reported, owned by the tenant on a livestock-share farm.

Grain elevator.—On livestock-share farms the landlord owned all in 13 percent and half in 10 percent of the cases. Under 50 crop-share leases where an elevator was reported, the landlord owned all in two cases and half in one case.

Milking machine.—This is an important labor saving device which the landlord may furnish or help furnish to equalize contributions to the dairy enterprise. Under livestock-share leases the landlord furnished all in 19 percent and half in 9 percent of the cases. Under 46 crop-share leases where a milking machine was reported used, the landlord furnished it in one case.

Average machinery investment per farm and per acre.—Little difference existed between livestock-share and crop-share leased farms in

average value of machinery: Livestock-share, \$6051, machinery per farm or \$27.56, machinery per acre; crop-share, \$6282, machinery per farm, or \$27.75, machinery per acre.

Value of machinery furnished by landlord and tenant.—As has been mentioned, many circumstances may cause a landlord to furnish some of the machinery. In 341 share leases where the value of machinery was reported, that furnished by the landlords equaled seven percent of the total machinery valuation. However the point is important that in a substantial share of the leases the tenant furnished all the machinery. The following further describes the exceptions from this rule. Out of 238 livestock-share leases at least some machinery was furnished by the landlord in 136, or 58 percent of the cases. On livestock-share farms where some machinery was owned by the landlord, his machinery was valued at \$985 or 17 percent of the valuation of all machinery reported. Out of 103 crop-share leased farms, 11 landlords furnished machinery of a value per farm averaging \$1016. This was 11 percent of the value of all machinery reported in these 11 cases. Nine of the 11 landlords and tenants were related. In livestock-share leases the effect of relationship was of less significance: in 24 cases the landlord owned half or more of the machinery; 11 of these were related.

Significance by areas.—Are landlords in some areas more likely to furnish a larger share of the machinery than in other areas? Expressed in terms of all share leases, northeastern Ohio landlords furnished 12 percent of the machinery; those in the southeast, 14 percent; those in western Ohio, six percent.

When dairying is the major enterprise.—In livestock-share leases where the dairy herd represented half or more of the animal units on the farm, the landlord furnished an average of 11 percent of the machinery and equipment as compared with nine percent for general livestock and two percent crop-share.

**Note:** Annual cost of machinery.—Because of the expense of ownership and operation of machinery have become so important, a computation of some average costs have been made. The following figures are based on 384 Ohio farm account records of 1949. The costs are expressed in terms of cost per crop acre because that basis of comparison was found to apply fairly well to all areas in the State.

Interest on investments was figured at five percent of one-half the estimated new cost. This was nearly identical with the current inventory value. Depreciation was figured on the basis of 12 years useful life. I.e., one-twelfth of new cost (\$8100 average per farm) was taken as annual depreciation. Repair expense was the actual average

expense of record keepers for repairs. Gas and oil expense was based on that reported. Taxes and insurance expense was pro-rated on basis of property value and actual expense of record keepers. These annual costs per crop acre follow:

Interest on machinery investment . . . . .	\$ 2.02
Annual depreciation . . . . .	6.75
Repairs . . . . .	2.90
Gas and oil . . . . .	4.28
Taxes and insurance . . . . .	.47
Total . . . . .	<u>\$16.42</u>

It should be emphasized that the above costs apply to all machinery used on the farm and not just to the machinery used in crop production.

The farms from which these figures were derived averaged 94 crop acres and 173 total acres.

#### **OWNERSHIP OF LIVESTOCK ON FARMS OPERATED UNDER LIVESTOCK-SHARE LEASES**

Dairy cows.—Where dairying was one of the major enterprises the dairy cows were usually owned 50-50; (average herd, 13 cows). This division was found in 70 percent of the cases. On eight farms (3% of the cases) the landlord owned all the dairy herd, buying the tenant's share of the increase when used for replacement or where reaching a certain age. One lease designated two years as the age when the tenant's share would be purchased. On a few farms the operator was being temporarily financed; the landlord owning the original herd but giving the tenant the opportunity to secure a half interest as young stock was grown for replacement.

On 19 percent of the livestock-share leased farms the tenant owned all the cows. Most of these farms were in western Ohio. The average number of cows kept, all tenant owned, was four, but the range was from one cow (in five cases) to seven or more cows (in five cases). Where the tenant owned all the cows he received all the income from them, with the following exception: a few tenants had the privilege of selling cream but the skim milk was fed to pigs in which the landlord had a half interest and received half the receipts from the hog sales. In all these cases the tenant paid for purchased dairy feed (supplement). Usually up to five cows were fed from undivided hay and grain. When more than five cows were kept by the tenant he usually furnished the



grain and occasionally the hay. It is also significant that up to five cows were kept in a few instances with the specific understanding that this was to offset the tractor fuel bill, all paid by the tenant.

Where the tenant kept more than one or two cows for family milk supply it represented a privilege which usually was offset by some other consideration in the lease.

Beef cows.—In 84 percent of the cases these were owned 50-50. Occasionally the landlord owned all, usually a small number which sometimes offset the tenant's ownership of dairy cows and sometimes represented the start of a herd with the intention of eventual 50-50 ownership.

Feeder cattle.—In 88 percent of the cases these were owned 50-50. The landlord or the tenant owned all in a few cases where some special circumstance prevailed. For instance, a few tenants fed cattle out of their share of the crops, but other livestock was 50-50.

Other cattle.—In 86 percent of the cases young stock was owned 50-50.

Brood sows.—In 90 percent of the cases these were owned 50-50, the exceptions being (1) where the landlord was helping a tenant get established by furnishing all the brood sows; (2) where the tenant had the privilege of keeping a few sows to offset some other point in the lease. For instance, one tenant had the privilege of keeping four sows fed out of undivided feed and sold feeder pigs to offset the high labor requirements of a dairy herd.

Feeder pigs.—These were owned 50-50 in 95 percent of the cases.

Ewes.—In 89 percent of the cases these were owned 50-50. As with other livestock the landlord owned all in a few cases as a temporary expedient and in a few cases the tenant kept a small number of sheep, all his own.

Feeder lambs.—These were owned 50-50 in 93 percent of the cases.

Hens.—Standard leasing practice gives the tenant the privilege of keeping a small flock for family use. (The standard Ohio lease sets the maximum number at 50 to be fed out of undivided feed). If a larger flock is maintained the income usually is divided but not always. Sometimes the keeping of a larger flock is a tenant's privilege which may or may not be offset by some other point in the lease. Ownership (and income) was shared 50-50 in 29 percent of the cases; average size of flock, 211. The landlord owned the flock in four percent of the cases; average size of flock, 202. The tenant owned the flock in 65 percent of the cases; average size of flock, 94.

**TABLE 9.—Ownership of Livestock on Farms Operated Under  
Livestock-share Leases, 1950-51 Survey, Ohio**

Item and Ownership Arrangement	Number of Farms by Areas				Percent of Farms by Areas				Average Number of Animals per Farm by Areas			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Dairy Cows:</b>												
Owned 50-50	22	23	118	163	85	55	71	70	21	12	12	13
Landlord owned all	3	4	1	8	11	10	1	3	14	15	8	14
Tenant owned all	1	6	37	44	4	14	22	19	1	4	4	4
Other ar- rangement	0	9	10	19	—	21	6	8	—	16	12	13
Total	26	42	166	234	100	100	100	100	19	12	10	11
<b>Beef Cows:</b>												
Owned 50-50	—	7	43	50	—	64	88	84	—	9	12	11
Landlord owned all	—	3	5	8	—	27	10	13	—	3	5	4
Tenant owned all	—	1	1	2	—	9	2	3	—	3	1	2
Other ar- rangement	—	—	—	0	—	—	—	0	—	—	—	0
Total	—	11	49	60	—	100	100	100	—	6	11	10
<b>Feeder Cattle:</b>												
Owned 50-50	4	8	48	60	100	80	88	88	22	22	16	17
Landlord owned all	—	1	1	2	—	10	2	3	—	3	2	3
Tenant owned all	—	1	3	4	—	10	6	6	—	3	10	8
Other ar- rangement	—	—	2	2	—	—	4	3	—	—	13	13
Total	4	10	54	68	100	100	100	100	22	18	15	16
<b>Other Cattle:</b>												
Owned 50-50	18	20	105	143	95	84	85	86	16	9	11	11
Landlord owned all	—	2	1	3	—	8	1	2	—	9	10	3
Tenant owned all	—	1	15	16	—	4	12	10	—	1	3	3
Other ar- rangement	1	1	2	4	5	4	2	2	55	24	9	24
Total	19	24	123	166	100	100	100	100	18	10	10	11

**TABLE 9.—Ownership of Livestock on Farms Operated Under  
Livestock-share Leases, 1950-51 Survey, Ohio—Continued**

Item and Ownership Arrangement	Number of Farms by Areas				Percent of Farms by Areas				Average Number of Animals per Farm by Areas			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Brood Sows:</b>												
Owned 50-50	9	22	156	187	75	61	98	90	3	6	12	11
Landlord owned all	1	4	2	7	8	11	1	3	10	1	3	3
Tenant owned all	2	10	1	13	17	28	*	6	3	2	2	2
Other ar- rangement	—	—	1	1	—	—	*	*	—	—	15	15
Total	12	36	160	208	100	100	100	100	4	5	12	10
<b>Feeder Pigs:</b>												
Owned 50-50	12	19	155	186	92	73	98	95	28	32	72	65
Landlord owned all	—	3	1	4	—	12	1	2	—	16	50	25
Tenant owned all	1	4	1	6	8	15	1	3	15	9	100	25
Other ar- rangement	—	—	—	—	—	—	—	—	—	—	—	—
Total	13	26	157	196	100	100	100	100	27	27	72	63
<b>Ewes:</b>												
Owned 50-50	3	6	64	73	75	67	93	89	10	40	33	33
Landlord owned all	—	1	1	2	—	11	1	3	—	50	7	29
Tenant owned all	1	1	4	6	25	11	6	7	6	1	10	8
Other ar- rangement	—	1	—	1	—	11	—	1	—	60	—	60
Total	4	9	69	82	100	100	100	100	9	39	31	31
<b>Feeder Lambs:</b>												
Owned 50-50	1	3	36	40	100	100	92	93	70	113	36	43
Landlord owned all	—	—	1	1	—	—	3	2	—	—	5	5
Tenant owned all	—	—	2	2	—	—	5	5	—	—	5	5
Other ar- rangement	—	—	—	—	—	—	—	—	—	—	—	—
Total	1	3	39	43	100	100	100	100	70	113	34	40

**TABLE 9.—Ownership of Livestock on Farms Operated Under  
Livestock-share Leases, 1950-51 Survey, Ohio—Concluded**

Item and Ownership Arrangement	Number of Farms by Areas				Percent of Farms by Areas				Average Number of Animals per Farm by Areas			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Hens:</b>												
Owned 50-50	5	10	42	57	24	28	30	29	480	141	196	211
Landlord owned all	3	2	3	8	14	6	2	4	233	165	197	202
Tenant owned all	11	22	95	128	52	63	67	65	103	68	89	94
Other ar- rangement	2	1	1	4	10	3	1	2	100	75	240	129
Total	21	35	141	197	100	100	100	100	208	94	125	133
<b>Dairy Cows Owned 50-50:</b>												
10 cows or more	19	14	74	107	86	61	63	66	23	14	15	16
3 to 9 cows	2	9	44	55	9	39	37	33	8	8	6	6
1 to 2 cows	1	—	—	1	5	—	—	1	1	—	—	1
Total	22	23	118	163	100	100	100	100	21	12	12	13
<b>Dairy Cows All Owned By Landlord:</b>												
	3	4	1	8	100	100	100	100	14	15	8	14
<b>Dairy Cows All Owned By Tenant:</b>												
1 cow	1	—	5	6	—	—	—	—	—	—	—	—
2 cows	—	—	5	5	—	—	—	—	—	—	—	—
3 cows	—	—	7	7	—	—	—	—	—	—	—	—
4 cows	—	5	8	13	—	—	—	—	—	—	—	—
5 cows	—	1	3	4	—	—	—	—	—	—	—	—
6 cows	—	—	4	4	—	—	—	—	—	—	—	—
7 cows or more	—	—	5	5	—	—	—	—	—	—	—	—
Total	1	6	37	44	—	—	—	—	—	—	—	—
Other ar- rangement†	0	9	10	19	—	—	—	—	0	16	12	14

\*Less than one percent

†In a few cases the landlord owned from 10 percent up to 90 percent of the dairy cows. In some cases the tenant owned more than half the dairy cows and the landlord some beef cows to offset the difference. Or, occasionally a tenant was given the opportunity to acquire his half interest in the herd through natural increase. In such cases the landlord's greater interest represents a temporary concession to help the tenant get established.

Tenant's privileges.—The point is fairly important that under many livestock-share leases the tenant may keep more livestock of his own than is required to furnish his family with milk, meat and eggs. This practice is an expedient which helps balance landlord-tenant contributions. It has advantages and disadvantages. The advantage is that the tenant may profit by a minor enterprise without materially reducing the landlord's income and it is therefore a good bargaining point for both parties. The disadvantage is that because the income is not divided the tenant may wish to expand the enterprise into a major one. This can lead to disagreement.

## **DIVISION OF INCOME**

### **HARVESTED CROPS**

Share of the harvested crops received by the landlord.—In most share leases, the landlord receives half the harvested crops. Adjustments in leases seldom change this customary division of the product. Two important exceptions as have been mentioned, are an occasional 3/5-2/5 division on small grain crops and the tenant taking all the hay crop under certain conditions of crop-share renting. This latter practice was followed in approximately 40 percent of the crop-share leases. However, in a few such cases a cash privilege rent was paid for hay land.

Proceeds from sales of straw were usually shared 50-50. Most landlords paid half the baling expense on straw sold.

Under livestock-share leasing arrangements clover and grass seed sales were nearly always divided 50-50. Under crop-share leases the landlord received half the proceeds from such sales in about four out of five cases.

Occasionally fruits and vegetables were reported sold. In about half the cases the proceeds were divided 50-50 and in the other half the tenant received all; the latter situation usually applied when the fruit and vegetable enterprises were minor and treated as privileges.

### **SHARE OF SALES OF LIVESTOCK AND LIVESTOCK PRODUCTS TO LANDLORD, LIVESTOCK SHARE LEASES**

The division of sales of livestock and livestock products is generally on a 50-50 basis the same as ownership. There are exceptions. It is desirable to discuss these because they represent a fairly important

**TABLE 10.—Share of Harvested Crops Received By Landlord,  
By Type of Lease and Area, 1950-51 Survey, Ohio**

Item and share paid by landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Number of Cases Reporting Practice</b>								
<b>Corn:</b>	26	37	182	245	25	7	76	108
<b>Percentage of Cases Reporting Specific Practice</b>								
One-half	96	95	100	99	100	100	91	94
Two-fifths	0	0	0	0	0	0	6	4
Other	4	5	0	1	0	0	3	2
<b>Number of Cases Reporting Practice</b>								
<b>Soybeans:</b>	3	7	99	109	5	1	68	74
<b>Percentage of Cases Reporting Specific Practice</b>								
One-half	100	86	99	98	100	100	85	86
Two-fifths	0	0	0	0	0	0	15	14
Other	0	14	1	2	0	0	0	0
<b>Number of Cases Reporting Practice</b>								
<b>Oats:</b>	27	15	159	201	24	5	70	99
<b>Percentage of Cases Reporting Specific Practice</b>								
One-half	96	93	100	99	100	100	89	92
Two-fifths	0	0	0	0	0	0	11	8
Other	4	7	0	1	0	0	0	0
<b>Number of Cases Reporting Practice</b>								
<b>Wheat:</b>	28	31	177	236	24	6	71	101
<b>Percentage of Cases Reporting Specific Practice</b>								
One-half	96	97	100	99	100	100	89	92
Two-fifths	0	0	0	0	0	0	11	8
Other	4	3	0	1	0	0	0	0
<b>Number of Cases Reporting Practice</b>								
<b>Hay:</b>	27	36	172	235	24	6	58	88
<b>Percentage of Cases Reporting Specific Practice</b>								
One-half	92	92	99	97	29	100	59	53
Two-fifths	0	0	0	0	0	0	9	6
None*	4	3	1	2	71	0	32	41
Other	4	5	0	1	0	0	0	0

**TABLE 10.—Share of Harvested Crops Received By Landlord, By Type of Lease and Area, 1950-51 Survey, Ohio—Continued**

Item and share paid by landlord	Type of Lease and Areas (Northeastern, Southeastern, and Western Ohio)							
	Livestock Share				Crop Share			
	N.E.	S.E.	W.	All	N.E.	S.E.	W.	All
<b>Number of Cases Reporting Practice</b>								
<b>Clover Seed Sales:</b>	12	16	94	122	11	1	53	65
<b>Percentage of Cases Reporting Specific Practice</b>								
One-half	100	100	100	100	73	100	84	83
None	0	0	0	0	27	0	8	11
Other	0	0	0	0	0	0	8	6
<b>Number of Cases Reporting Practice</b>								
<b>Grass Seed Sales:</b>	8	11	70	89	7	3	37	47
<b>Percentage of Cases Reporting Specific Practice</b>								
One-half	88	100	99	98	57	100	84	81
None	12	0	0	1	43	0	5	10
Other	0	0	1	1	0	0	11	9
<b>Number of Cases Reporting Practice</b>								
<b>Fruit and Vegetable Sales:</b>	0	8	15	23	2	0	4	6
<b>Percentage of Cases Reporting Specific Practice</b>								
One-half	0	88	40	57	50	0	50	50
None	0	12	60	43	50	0	50	50
Other	0	0	0	0	0	0	0	0

\*In a few cases receipts from sales of hay were to compensate tenant for bearing all grain harvest expense and all tractor fuel expense.

method of lease adjustment. Often these adjustments relate to minor sources of income for a strong tendency exists to maintain a 50-50 division of the income from major sources.

Dairy cattle sales.—In 80 percent of the livestock-share leases the division was 50-50. In 17 percent of the cases the landlord received no income. These exceptions were cases where the tenant kept a few cows of his own, as has been explained, and received the income both from milk and meat.

In about three percent of the cases the landlord owned all the dairy cows and usually received all proceeds from sales of cows. The few exceptions were nearly all related tenants, given concessions to get started.

Other cattle sales.—These were shared 50-50 in 86 percent of the cases; being mainly young stuff grown on undivided feed. However in 13 percent of the cases the landlord received nothing. Again, these represent the cases where the tenant has the privilege of keeping a few cows.

Milk sales.—In 81 percent of the cases the landlord received half; in a few cases (6%) he received 33, 40, or 45 percent of the milk check. On a few farms where dairying was a major enterprise the tenant was receiving more than half the milk check because of the high labor cost. The cost of purchased feed (dairy supplement) sometimes was divided in the same proportion as the milk check and sometimes 50-50, depending on how much of a shift in expense and income was agreed on.

Butter-fat sales.—Relatively few farms were selling butterfat (58). Of the cases reported 60 percent divided the proceeds 50-50 and in 36 percent the landlord received none; but as has been mentioned he may have received some of the benefits from skimmed milk fed on the farm.

Hog sales.—In 96 percent of the cases the landlord received half the proceeds from hog sales. The exceptions were a few cases where the tenant had the privilege of keeping a few hogs.

Sheep sales.—In 93 percent of the cases the landlord received half. The exceptions were where a few sheep were owned solely by the tenant.

Lamb sales.—In 95 percent of the cases receipts were divided 50-50.

Wool sales.—In 93 percent of the cases receipts were divided 50-50.

Chicken and egg sales.—In 36 percent of the cases receipts were divided 50-50; in 61 percent the landlord received nothing. Many of these latter were small flocks, the average being 90 hens. In two cases where broiler production was fairly important the landlord received 40 percent of the income from sales and paid half the feed bill,—an adjustment to compensate for the high labor requirement. This division of income and expense also applied to egg sales on two farms where 300 to 400 hens were kept. On one farm where 1500 hens were kept egg and poultry sales were shared 50-50, but the landlord paid one-half the bill for extra hired labor for crop and livestock production.

Conservation payments.—Landlords received half in 87 percent of the cases; in the remainder, all. A certain amount of bargaining centers on the latter, the landlord furnishing all the lime in some cases when he received all the conservation payments.



**TABLE 11.—Share of Sales of Livestock and Livestock Products, and  
Other Items Received By Landlord, Livestock Share Leases,  
By Areas, 1950-51 Survey, Ohio**

Item and Share Received by Landlord	Areas			
	N.E.	S.E.	W.	All
<b>Dairy Cattle Sales:</b>				
	<b>Number of Cases Reporting Practice</b>			
	29	41	139	209
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	93	76	78	80
None . . . . .	0	12	21	17
All . . . . .	4	7	0	2
Other . . . . .	3	5	1	1
<b>Other Cattle Sales:</b>				
	<b>Number of Cases Reporting Practice</b>			
	20	30	132	182
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	100	94	82	85
None . . . . .	0	3	17	13
All . . . . .	0	0	0	0
Other . . . . .	0	3	2	2
<b>Milk Sales:</b>				
	<b>Number of Cases Reporting Practice</b>			
	34	48	129	211
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	88	79	81	81
None . . . . .	3	13	14	13
All . . . . .	0	0	0	0
Other . . . . .	9	8	5	6
<b>Butterfat Sales:</b>				
	<b>Number of Cases Reporting Practice</b>			
	4	8	46	58
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	100	75	54	60
None . . . . .	0	13	44	36
All . . . . .	0	0	0	0
Other . . . . .	0	12	2	4
<b>Hog Sales:</b>				
	<b>Number of Cases Reporting Practice</b>			
	10	38	164	212
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	80	89	98	96
None . . . . .	20	8	2	4
All . . . . .	0	3	0	0
Other . . . . .	0	0	0	0

**TABLE 11.—Share of Sales of Livestock and Livestock Products, and  
Other Items Received By Landlord, Livestock Share Leases,  
By Areas, 1950-51 Survey, Ohio—Continued**

Item and Share Received by Landlord	Areas			
	N.E.	S.E.	W.	All
<b>Sheep Sales:</b>				
	<b>Number of Cases Reporting Practice</b>			
	4	11	68	83
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	50	91	96	93
None . . . . .	50	0	3	5
All . . . . .	0	0	1	1
Other . . . . .	0	9	0	1
<b>Lamb Sales:</b>				
	<b>Number of Cases Reporting Practice</b>			
	4	9	69	82
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	67	100	95	94
None . . . . .	33	0	4	5
All . . . . .	0	0	1	1
Other . . . . .	0	0	0	0
<b>Wool Sales:</b>				
	<b>Number of Cases Reporting Practice</b>			
	4	13	69	86
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	75	92	94	93
None . . . . .	25	8	4	6
All . . . . .	0	0	2	1
Other . . . . .	0	0	0	0
<b>Chicken Sales:</b>				
	<b>Number of Cases Reporting Practice</b>			
	24	34	144	202
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	42	41	34	36
None . . . . .	50	50	65	61
All . . . . .	0	3	1	1
Other . . . . .	8	6	0	2

**TABLE 11.—Share of Sales of Livestock and Livestock Products, and  
Other Items Received By Landlord, Livestock Share Leases,  
By Areas, 1950-51 Survey, Ohio—Concluded**

Item and Share Received by Landlord	Areas			
	N.E.	S.E.	W.	All
<b>Other Poultry Sales:</b>				
	<b>Number of Cases Reporting Practice</b>			
	18	24	106	148
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	50	54	31	37
None . . . . .	50	42	68	61
All . . . . .	0	0	0	0
Other . . . . .	0	4	1	2
<b>Egg Sales:</b>				
	<b>Number of Cases Reporting Practice</b>			
	25	30	142	197
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	44	40	34	36
None . . . . .	52	54	65	61
All . . . . .	0	3	0	1
Other . . . . .	4	3	1	2
<b>Conservation Payments:</b>				
	<b>Number of Cases Reporting Practice</b>			
	28	26	141	195
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	93	69	89	86
None . . . . .	0	0	1	1
All . . . . .	7	31	9	12
Other . . . . .	0	0	1	1
<b>Other Income:</b>				
	<b>Number of Cases Reporting Practice</b>			
	6	8	31	45
	<b>Percentage of Cases Reporting Specific Practice</b>			
One-half . . . . .	67	88	74	76
None . . . . .	33	12	26	24
All . . . . .	0	0	0	0
Other . . . . .	0	0	0	0

Other income.—Some tenants did a substantial amount of custom work or had some other employment off the farm, keeping the total income. This applied to about one-fourth of the cases. The other three-fourths indicated an equal division of miscellaneous items of income incidental to the farm business. Income from custom work was sometimes shared 50-50, the landlord owning the machinery and the tenant operating it.

#### **TWO-FIFTHS-THREE-FIFTHS CROP-SHARE ARRANGEMENTS**

Of the records obtained on 2/5-3/5 share leases, all relate to western Ohio although it is known that a limited number of such arrangements have existed in other sections of Ohio. The principal characteristic of the 2/5-3/5 division is that the tenant bears all the expense for seed and harvesting and in return receives three-fifths of the crop. In case fertilizer is used the tenant bears three-fifths of this expense. Occasionally a privilege cash-rent is paid for pasture and hay land. Or, the landlord may receive two-fifths of the hay the same as for other crops.

The net result of this type of share rental arrangement is to shift a little more of the responsibility and risk to the tenant. If crop yields are above average he stands to gain. If they are below average the additional ten percent of the crop may not pay for the one-half of the seed and machine expense of harvesting the landlord's share of the crop which would be borne by the landlord under a 50-50 arrangement. For instance, one farm operator figured if he could get a yield of 27 bushels or better of soybeans per acre he would be ahead under a 40-60 split of the crop.

In a few cases the 2/5-3/5 division applied to some one cash crop; most frequently soybeans.

#### **CASH RENT PAID ON CROP-SHARE-CASH RENTED FARMS**

The practice of paying some cash rent in addition to a share of the crops was found in about one-fifth of the crop-share leases. The practice is a growing one being found on twice as many farms in 1950 as compared with 1945, according to the census. It is most frequently found in western Ohio in areas where crop-share leases are more common than livestock-share leases. On the other hand, the payment of some cash in addition to a share of the crops is found to a limited extent in all Ohio counties.

For what is the cash rent paid? Most frequently the cash rent is paid for pasture and hay land. In some cases the cash rent is indicated as payment for "lots and lanes" around the farmstead. Less frequently it is paid for buildings. Where the crop land is share rented the privilege rent paid in cash is often on a relatively conservative basis to offset a low charge to the landlord for harvesting his share of the small grain crops. For instance, the cash rent charged for hay land ranged from \$4.50 per acre up to \$8.00 per acre with an average of \$6.00. Rent for pasture ranged from \$1.36 per acre up to \$12.00 with an average of \$3.50 per acre. The high figure was for "lots around buildings."

### **TESTING FARM LEASES**

This section explains a method whereby a landowner or tenant can test lease terms on a particular farm. The purpose of such a test is to determine whether the division of expenses and receipts is fair to both parties. It is purely a "cut and try" method. Out of the variations in leasing practices reported in the previous section of this study some combination should be found which will fit most any commercial farm in Ohio.

No leasing arrangement can be expected to balance exactly every year on the basis of pre-determined terms. But it is possible by adjusting terms, on the basis of experience, to balance contributions satisfactorily over a period of years. Also, it should be recognized that when agriculture is unusually prosperous that a lease may be out of balance and still provide the party, on the short end of the deal, with a going rate of return on his contributions. But the other party would get more than his just share of the profits. If expense items are correctly balanced any pure profit in good years or loss in poor years will be shared equitably.

Accurate testing of a lease is dependent on financial records of the business on the particular farm to which the lease applies. Keeping a farm account book will help.

### **THE PROBLEM OF EQUALIZING CONTRIBUTIONS**

A basic problem in any farm lease is to develop an agreement whereby expenses and income are shared in the same proportion. Because the division of income in share leases is usually agreed to first, most bargaining is over how the expenses should be divided between landowner and operator. As has been mentioned previously, the expenses most often shifted are the easily divisible annual expenses relating to crop and livestock production; but the adjustment may

occur in the contribution of capital items (ownership of livestock and machinery), or in the privileges furnished the tenant, or in the division of the income.

Being in common use, the 50-50 share lease is used in Tables 12 to 15 inclusive to illustrate a method for testing the fairness of leasing practices under some typical Ohio conditions. The basic assumptions are: that the landowner should receive a fair rate of interest on the agricultural value of his real estate as established by the general land market, that the tenant should receive a fair current wage for his labor, and that both get paid an interest return on the capital value of their personal property used in the farm business.

For purposes of testing a lease, the foregoing items should be considered costs the same as actual cash expenses. Obviously, in most situations the value of the real estate, of machinery, of livestock, and of the unpaid labor must be estimated and therefore is subject to question and review. Also subject to question are the rates of annual depreciation and interest.

Estimating depreciation and interest.—In order to remove the bias resulting from offsetting an old set of buildings with a new set of machinery and vice-versa, it is suggested that depreciation charges be figured on the replacement cost of these items.<sup>2</sup> Annual interest charges on improvements and machinery may be figured on one-half the replacement cost. This depreciated cost would be the average annual cost over the entire life of these items. The above rule was followed in making the calculations in Tables 12 to 15 inclusive. Landlords and tenants could satisfactorily use some other plan for valuation provided it was used consistently.

Value of labor.—The tenant's unpaid labor is figured at the rate applying to farm labor of equal quality with housing furnished. This avoids placing a valuation on the housing and family living furnished by the farm. If a good manager, the tenant's superior services show up in the long run as farm profit after costs are figured at standard rates.

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<sup>2</sup>The valuation placed on improvements (or machinery and equipment) must be justified by their actual usefulness to the farm as a business. For instance, a barn or house costing \$40,000 might have a use value to the farm of only five or ten thousand and should be valued accordingly. In other words, replacement cost should not exceed the cost necessary to service the farm with useful buildings. Also, old buildings or poorly arranged buildings may increase labor and other costs and therefore be functionally obsolescent.

## **LIVESTOCK-SHARE VS. CROP-SHARE LEASES, LAND WELL ADAPTED TO CROPS**

Tables 12 and 13 illustrate the application of very nearly standard livestock-share and crop-share lease terms to a group of western Ohio farms. Attention is directed to several points.

- (1) The business was big enough to support a large machinery investment by the operator, pay his operating expenses, and his own labor at current rates; and, as happened in 1951, the cash receipts were high enough to leave him some profit after all expenses and imputed costs were paid.
- (2) The landowner recovered all costs including a four percent return on the approximate current value of the real estate.
- (3) A little more net profit was realized by the landowner under the livestock-share lease. But the assumption was that he provided the same set of buildings used by the tenant for livestock when the farm was rented crop-share, and did not charge any privilege cash rent.
- (4) It was assumed that when rented crop-share the tenant spent only two-thirds of a year in work related to crop production. The other four months were available for care of his livestock or other employment.
- (5) Under the livestock-share lease the owner paid half the tractor fuel bill and none of it under the crop-share lease.

## **LIVESTOCK-SHARE LEASE, DAIRYING MAJOR ENTERPRISE**

Table 14 illustrates an adjustment of leasing practices to fit a situation found more frequently in eastern than in western Ohio.

- (1) The size of business is relatively good but is achieved through livestock; the total acreage and crop acreage is limited.
- (2) Labor requirements are relatively high.
- (3) Even though the acreage is limited, high labor costs encourage investment in machinery.
- (4) The total real estate investment (at current prices) is less than in situations where more of the land is suitable for crops.

**TABLE 12.—Example of 50-50 Livestock-share Lease Terms Applied to 30 Western Ohio  
Cash Crop and Grain Farms, 1951**

**(BASED ON FARM ACCOUNT RECORDS)**

Average per Farm: Total Acres, 201; Crop Acres, 157; Labor Force, 1.5 men

							Total farm	Tenant	Landlord
Interest on Investment (Computed at "Standard" Rates of Return on Capital):									
Real Estate Investment (Current Market Value) \$60,000 (\$299 per Acre)									
Breakdown of Real Estate Investment:									
	Land	\$34000		Improvements	\$34000				
Replacement	Tile	16000		depreciated	8000				
cost	Fence	1800		one-half	900				
	Buildings	17000			8500				
		\$68800			\$51400	@ 4% =	\$ 2056		\$ 2056
		(\$342 per Acre)			(\$256 per Acre)				
Machinery, (Replacement Cost, \$11472) \$5736 (Depreciated Value) @ 6 %							344	344	
Livestock (Current Market Value, Beginning Inventory) \$2000 @ 6 %							120	60	60
Cash and Other Operating Capital, \$3000 @ 6 %							180	90	90
Total Interest Expense on Investment							\$ 2700	\$ 494	\$ 2206
Other Expenses:									
Hired Labor							739	739	
Operator's Labor							1800	1800	
Gas and Oil							499	249	250
Fertilizer							696	348	348
Lime							200		200
Machinery Depreciation, Life Expectancy, 12 years (\$11,472 ÷ 12)							956	956	
Machinery Repair							297	297	
Building Depreciation, Life Expectancy, 40 years (\$17,000 ÷ 40)							425		425



Fence Depreciation, Life Expectancy, 20 years ( $\$1800 \div 20$ )	90	_____	90
Building and Fence Repair	340	_____	340
Tile Depreciation, Life Expectancy, 40 years ( $\$16,000 \div 40$ )	400	_____	400
Feed Purchased	513	256	257
Other Livestock Expense	43	21	22
Seeds	357	178	179
Insurance, Buildings	60	_____	60
Insurance, Chattels	57	35	22
Taxes, Real Estate	250	_____	250
Taxes, Personal Property	78	50	28
Trucking	100	50	50
Miscellaneous Expenses	100	50	50
Total Other Expenses	\$8 000	\$5029	\$ 2971
Grand Total Expenses	\$10700	\$5523	\$ 5177
Landlord's Payment to Tenant for Harvesting Small Grain (36 A. \$4.00)	_____	—144	+144
	\$10700	\$5379	\$ 5321
	100 %	50.3 %	48.7 %
Landlord's Profits Related to Current Value of Real Estate:			
Landlord's Share of Total Receipts ( $\$11,385 \div 2$ )			\$ 5692
Landlord's Share of Total Expenses			5321
Landlord's Share of Pure Profits			\$ 371
Pure Profit Capitalized @ 4 % ( $\$371 \div .04$ )			\$ 9275
Value of Real Estate (with improvements depreciated one-half) on Which Interest had Already Been Charged as a Cost			51400
Value of Real Estate Supported by Current Income, 1951, Livestock-Share Lease Operation			\$60675

**TABLE 13.—Example of 50-50 Crop-share Lease Terms Applied to 30 Western Ohio  
Cash Crop and Grain Farms, 1951**

**(BASED ON FARM ACCOUNT RECORDS)**

Average per Farm: Total Acres, 201; Crop Acres, 157; Labor Force, 1.5 men

						Total farm	Tenant	Landlord
Interest on Investment (Computed at "Standard" Rates of Return on Capital):								
Real Estate Investment (Current Market Value) \$60,000 (\$299 per Acre)								
Breakdown of Real Estate Investment:								
	Land	\$34000		Improvements	\$34000			
Replacement	Tile	16000		8000				
cost	Fence	1800		depreciated	900			
	Buildings	17000		one-half	8500			
		\$68800			\$51400	@ 4 % =	\$ 2056	\$ 2056
		(\$342 per Acre)			(\$256 per Acre)			
Machinery, (Replacement Cost, \$11,472) \$5736 (Depreciated Value) @ 6 %						344	344	
Cash and Other Operating Capital, \$2000 @ 6 %						120	60	60
Total Interest Expense on Investment						\$ 2520	\$ 404	\$ 2116
Other Expenses:								
Hired Labor (Extra Labor, Crop Season)						739	739	
Operator's Labor (on Crops, 8 Months)						1200	1200	
Gas and Oil						499	499	
Fertilizer						696	348	348
Lime						200		200
Machinery Depreciation, Life Expectancy, 12 years (\$11,472 ÷ 12)						956	956	
Machinery Repair						297	297	
Building Depreciation, Life Expectancy, 40 years (\$17,000 ÷ 40)						425		425
Fence Depreciation, Life Expectancy, 20 years (\$1800 ÷ 20)						90		90

Building and Fence Repair	340	—	340
Tile Depreciation, Life Expectancy, 40 years (\$16,000 ÷ 40)	400	—	400
Seeds	357	178	179
Insurance, Buildings	60	—	60
Insurance, Chattels	47	35	12
Taxes, Real Estate	250	—	250
Taxes, Personal Property	78	78	—
Trucking	100	100	—
Miscellaneous Expenses	100	50	50
Total Other Expenses	\$ 6834	\$4480	\$ 2354
Grand Total Expenses	\$ 9354	\$4884	\$ 4470
Landlord's Payment to Tenant for Harvesting Small Grain (\$4.00 per Acre for 36 Acres) and Baling Expense on Hay Sold		—234	+234
	\$ 9354	\$4650	\$ 4704
	100 %	49.7 %	50.3 %
Value of Crops Fed on Farm	\$2452		
Value of Cash Crop Sales	3666		
Value of Feed Crop Sales	3663		
	\$9781		
Landlord's Profits Related to Current Value of Real Estate:			
Landlord's Share of Total Receipts (\$9781 ÷ 2)			\$ 4891
Landlord's Share of Total Expenses			4704
Landlord's Share of Pure Profits			\$ 187
Pure Profit Capitalized @ 4 % (187 ÷ .04)			\$ 4675
Value of Real Estate (Imp. Dep. One-half) on which Interest Had Already Been Charged as a Cost			51400
Value of Real Estate Supported by Current Income, 1951, Under Crop-share Lease Operation			\$56075

In these circumstances the tendency is for the landlord to balance the tenant's contributions in one or more of the following ways: (a) he may own some machinery or more than half the livestock; (b) he may bear more of the soil improvement and crop expenses; (c) the tenant may have some additional privileges; (d) the tenant may receive more than half the cash receipts. (e) The landlord maintains improvements for livestock farming but receives a share of the crops only.

The pattern of sharing contributions indication in Table 14 is typical of what people are doing as revealed by this study.

It is not suggested that all these practices are always satisfactory. Neither can any of them be condemned for instances were found where they worked. But success depends on both parties understanding the problem and seeing to it that difficulties do not stand in the way of doing a good job of farming.

#### **LIVESTOCK-SHARE LEASE, LAND POORLY ADAPTED TO CROP PRODUCTION, BUSINESS SMALL**

Table 15 covers a type of situation involving a number of problems which a landlord and tenant must resolve before a satisfactory leasing arrangement can be worked out.

- (1) The size of business is too small to profitably support the full-time employment of the operator.
- (2) The investment in machinery needed to farm efficiently is large as measured by the acreage available for crops.
- (3) The land has physical features which may increase the cost of operation as well as limit the acreage of crop land. Under these conditions average per acre land values tend to be low and the land has a limited capacity to support improvements. It follows that the contribution of real estate to the farm business is relatively limited.

When the above situation prevails standard leasing practices do not fit. This study indicates several kinds of adjustments that are made.

- (1) The landlord is likely to furnish all the lime and grass seed.
- (2) Sometimes he owns a substantial share of the machinery and may also help out on the harvesting expense of all grain crops, including corn. (In Table 15 one-half the machinery is furnished by the landlord).

- (3) The tenant may have the privilege of keeping some livestock, all the proceeds from some enterprise, or perhaps more than half the proceeds from all sales.
- (4) The tenant may have the privilege of farming additional land.
- (5) The tenant may do custom work to increase his income and to help out on the machine overhead.
- (6) The tenant may keep down costs by trading labor and use of machinery with neighbors.

The force of these circumstances are illustrated by some of the figures in Table 15 based on an average of 38 farms. In 1951 the cash receipts averaged \$5435 per farm. On a half share rental the landlord's share of the gross, \$2717, would cover his share of the cash expenses, pay depreciation charges on the real estate, four percent interest on the real estate investment (\$9700, when improvements are depreciated one-half), and leave a profit of \$134. This \$134 profit, if capitalized at four percent, would carry an investment of \$3350 which if added to the \$9700 amounts to \$13,050, or nearly the same as the estimated current market value of the real estate.

It may be concluded, therefore, that the terms of the lease are consistent with the current value of the real estate investment. But how about the contributions of the tenant? If the tenant spent full time on the farm and also hired a little seasonal labor, the labor input would be out of proportion to the size of business. In other words, to balance the lease the tenant would need the opportunity to earn at least \$834 in addition to that derived from the joint farm business. Because this sum is too large to be covered by any justified transfer within the farm business, it or a large part must come if at all from some outside source such as non-farm employment, custom work, or farming additional land.

### **THREE METHODS OF DETERMINING CASH RENT FOR FARM REAL ESTATE**

Like other methods of renting, cash rents are largely determined by competition. But in particular cases competition may not work very effectively. Also, both renters and landowners have an interest in determining what is fair to both parties. The question is asked rather frequently: "How can I figure the cash rent I should ask" or "should offer for a farm?" A suggested answer to this question is incorporated in the following three methods of determining cash rent. Really, these

**TABLE 14.—Example of 50-50 Livestock-share Lease Terms Applied to 73 Northeastern Ohio Farms, 1951  
(BASED ON FARM ACCOUNT RECORDS)**

Average per Farm: Total Acres, 150; Crop Acres, 95; 14 Dairy Cows; Labor Force, 1.5 men					Total farm	Tenant	Landlord
Interest on Investment (Computed at "Standard" Rates of Return on Capital):							
Real Estate Investment (Current Market Value) \$33,750 (\$225 per Acre)							
Breakdown of Real Estate Investment:							
Replacement cost	Land	\$16000					
	Tile	3000	Improvements	\$16000			
	Fence	1600	depreciated	800			
	Buildings	16000	one-half	8000			
		<u>\$36600</u>		<u>\$26300</u>	@ 4 % =	\$ 1052	\$ 1052
		(\$244 per Acre)		(\$175 per Acre)			
Livestock \$3939 @ 6 %					236	118	118
Machinery, (Replacement Cost, \$11908) \$5954 (Depreciated One-half) @ 6 %					357	268	89
Cash and Other Operating Capital, \$2000 @ 6 %					120	60	60
Total Interest Expense on Investment					<u>\$ 1765</u>	<u>\$ 446</u>	<u>\$ 1319</u>
Other Expenses:							
Hired Labor					603	603	
Operator's Labor					1800	1800	
Gas and Oil					405	203	202
Fertilizer					479	239	240
Lime					167		167
Seeds					252	128	126
Feed Purchased					2501	1250	1251
Other Livestock Expense					100	50	50
Building Depreciation, Life Expectancy, 40 years (\$16,000 ÷ 40)					400		400
Fence Depreciation, Life Expectancy, 20 years (\$1600 ÷ 20)					80		80
Building and Fence Repair					200		200
Tile Depreciation, Life Expectancy, 40 years (\$3,000 ÷ 40)					75		75

Machinery Depreciation, Life Expectancy, 12 years ( $\$11,908 \div 12$ )	992	744	248
Machinery Repair	385	288	97
Insurance, Buildings	70		70
Insurance, Chattels	36	22	14
Taxes, Real Estate	190		190
Taxes, Livestock and Machinery	58	37	21
Trucking Grain and Livestock	50	25	25
Machine Hire	214	107	107
Miscellaneous Expenses	200	100	100
Total Other Expenses	\$ 9257	\$5594	\$ 3663
Grand Total Expenses	\$11022	\$6040	\$ 4982
	100 %	54.8 %	45.2 %
Landlord's Payment to Tenant for Harvesting One-half Small Grain and Corn (27 Acres @ \$4.00 per Acre)			\$108
Tenant's Labor on Fences and Buildings Paid by Landlord		—208	+208
	\$11022	\$5832	\$ 5190
Custom Work by Tenant	—290	—290	
Grand Total (Adjusted)	\$10732	\$5542	\$ 5190
	100 %	51.6 %	48.4 %
Landlord's Profits Related to Current Value of Real Estate:			
Landlord's Share of Total Receipts ( $11,718 \div 2$ )			\$ 5859
Landlord's Share of Total Expenses			5191
Landlord's Share of Pure Profits			\$ 668
Pure Profit Capitalized @ 4 % ( $668 \div .04$ )			\$16725
Value of Real Estate (Imp. Dep. One-half) on which Interest Had Already Been Charged as a Cost			26300
Value of Real Estate Supported by Current Income, 1951, Under Crop-share Lease Operation			\$43025
(The 1950 Income on These Farms Supported a Real Estate Value of \$34,000, Approximately the Same as the Estimated Market Value, 1952)			

**TABLE 15.—Example of 50-50 Livestock-share Lease Terms Applied to 38 General Livestock Farms, Southeastern Ohio, 1951**

**(BASED ON FARM ACCOUNT RECORDS)**

Average per Farm: Total Acres, 192; Crop Acres, 61; Labor Force, 1.2 Men						Total farm	Tenant	Landlord
Interest on Investment:								
Real Estate (Current Market Value \$13,000, or \$68 per Acre)								
Breakdown of Real Estate Investment:								
(A)	Land		\$ 4000	(B)		\$4000		
	Fence	(Replacement	1400		(Dep. to Mid-point	700		
	Buildings	cost)	10000		in Useful Life)	5000		
			\$15400			\$9700 @ 4 % =	\$ 388	\$ 388
			(\$80 per Acre)			(\$51 per Acre)		
Machinery (Replacement Cost, \$6340) Depreciated One-half, \$3170 @ 6%						190	95	95
Livestock (Current Market Value) \$5000 @ 6 %						300	150	150
Working Capital \$1500 @ 6 %						90	45	45
Total Interest Expense on Investment						\$ 968	\$ 290	\$ 678
Other Expenses:								
Hired Labor						250	250	
Operator's Labor						1800	1800	
Gas and Oil						209	104	105
Fertilizer						250	125	125
Lime						141		141
Seeds						98	29	69
Feed Purchased						779	390	389



Other Livestock Expense	25	12	13
Trucking Grain and Livestock	26	13	13
Machine Hire	134	67	67
Machinery Depreciation, Life Expectancy, 12 years (\$6340 ÷ 12)	528	264	264
Machinery Repair	75	37	38
Building Depreciation, Life Expectancy, 40 years (\$10,000 ÷ 40)	300		300
Fence Depreciation, Life Expectancy, 20 years (\$1400 ÷ 20)	70		70
Building and Fence Repair	150		150
Insurance, Buildings	35		35
Insurance, Livestock and Machinery, etc.	16	8	8
Taxes, Real Estate	90		90
Taxes, Livestock and Machinery	56	28	28
Total Other Expenses	\$ 5032	\$3127	\$ 1905
Grand Total Expenses (Assuming Tenant Spent Full Time on Farm)	\$ 6000	\$3417	\$ 2583
		57 %	43 %
Outside Employment, Custom Work, and Value of Privileges Necessary to Balance Arrangement	—834	—834	
	\$ 5166	\$2583	\$ 2583
Landlord's Profits Related to Current Value of Real Estate:			
Landlord's Share of Total Receipts (\$5435 ÷ 2)			\$ 2717
Landlord's Share of Total Expenses			2583
Landlord's Share of Pure Profits			\$ 134
Pure Profit Capitalized @ 4 % (134 ÷ .04)			\$ 3350
Value of Real Estate (Imp. Dep. One-half) on which Interest Had Already Been Charged as a Cost			9700
Value of Real Estate Supported by Current Income, 1951, Under Crop-share Lease Operation			\$13050

should be thought of as separate parts of the same method because each should be considered as a check on the others. These three methods are presented as applying to complete farm units but are also adapted to cash rentals of crop land. As applying to the latter it should be taken into account that cash rents, as well as share rents on crop land only, often are as high as rentals of similar lands plus the use of some pasture and buildings. In other words, rental rates as determined by competition particularly in some localities, do not appear to be greatly influenced by the inclusion or exclusion of buildings and pasture when these are more or less incidental to the crop land. On the other hand, some properties may be rented primarily for use of the buildings, the pasture and crop land being of secondary importance.

1. **Comparative Method.** What rentals are being paid for similar farms in the same locality? But farms have their differences as well as their similarities. Therefore in using the comparative method it is necessary to take into account the things which might raise or lower the rent of a particular property. Some of these things are: size; topography; layout of fields; percent of land suitable for crops; level of production; condition, adequacy, and convenience of buildings; water supply; desirability as a place to live; availability and convenience of community services and markets.

Also, cash rents tend to fluctuate less and to lag behind changes in farm products prices and land value trends. Therefore, when using the comparative method it may be important to know how long a particular rental has been in effect on a particular farm.

2. **Capital Value Method.** What is a fair value for the farm for agricultural uses and what rate of interest return can be realized on it? These questions must be answered in order to apply the **Capital Value Method** yardstick to measure cash rent. For purposes of illustration, let us assume that this has been done for a 160 acre farm valued at \$32,000 and that four percent net interest return is acceptable. Then,  $\$32,000 \times .04 = \$1280$ , the net return which the owner of the farm would like to realize. But the owner would have expenses to pay before obtaining his net return, or net rent. Most of these expenses could be closely estimated from current experience. But depreciation on improvements is an item which must be estimated according to some general rules. The following figures illustrate the classes of items which ordinarily would be taken into account in estimating the gross cash rent which would be necessary to yield the above mentioned net rent and also cover the landlord's expenses:

Net rent ( $\$32,000 \times .04$ ) . . . . .	\$1280
Depreciation on buildings, life expectancy 40 years ( $12,000 \div 40$ ) . . . . .	300
Building and fence repair . . . . .	200
Taxes . . . . .	160
Insurance . . . . .	50
Total gross cash rent . . . . .	<u>\$1990</u>

(This would figure out as \$12.43 per acre cash rent. Also,  $1990 \div 32,000 = .0622$ , the gross rate of return on the investment).

**3. Share Rental Value Method.** If a farm was share rented on terms where the owner stood the expenses only of taxes, insurance on buildings, and depreciation and repair of improvements,—what share of the crops would the owner receive? This would vary materially with the productive capacity of the farm. But under average conditions the owner would likely receive one-third share of the crops. Following is an example of how this would work out with a given acreage, level of yields and prices, and including a cash privilege rent for use of pasture and buildings:

30 A. corn @ 50 bu. = $1500 \div 3 = 500$ bu. $\times \$1.50$	= \$ 750
30 A. soybeans @ 20 bu. = $600 \div 3 = 200$ bu. $\times \$2.50$	= 500
30 A. wheat @ 20 bu. = $600 \div 3 = 200$ bu. $\times \$2.00$	= 400
30 A. hay @ 2 T. = $60 \div 3 = 20 \times \$10.00$	= 200
40 A. pasture @ \$2.50	100
Buildings	300
	<u>\$2250</u>
Less allowance for assumption of all risk by cash tenant	250
	<u>\$2000</u>

(This would figure out as \$12.50 per acre gross rent).